Auditor General
OF ALBERTA

Report of the Auditor General

October 2017

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Auditor
General
OF ALBERTA

Mr. David Shepherd, MLA
Chair
Standing Committee on Legislative Offices

I am honoured to send my *Report of the Auditor General of Alberta—October 2017* to Members of the Legislative Assembly of Alberta, as required by Section 19(5) of the *Auditor General Act*.

We conducted our audits under the authority of the *Auditor General Act* and in accordance with the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

Merwan N. Saher FCPA, FCA

Auditor General

Edmonton, Alberta
October 4, 2017

Report of the Auditor General

October 2017

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Introduction by the Auditor General

I am pleased to present to the Members of Alberta's Legislative Assembly this report by my office containing the results from the *2016–2017 Financial Statement Audits of all Government of Alberta* ministries and their agencies, the *2016–2017 Consolidated Financial Statements of the Province of Alberta*, released by the government in June 2017, two new performance audits, and seven follow-up performance audits.

The provincial government is a large and complex organization. By its very nature, it is impossible for every aspect to be running smoothly all the time.

It is the role of my office and for us as auditors to take an objective look at selected systems and processes to determine how well they are working, and where we determine they are not working as well as they could, to offer recommendations for improvement.

In accepting our recommendations, management is then responsible for implementing them by making the necessary improvements in the best interest of Albertans. Such was the case in several of the performance audits included in this report.

What is working well

It is human nature to take it for granted when things are going well, and to focus on things that are not working as well as they could or should.

As such, very often after reviewing our audit reports, there is a tendency for the media and the public to pay less attention to what is working well, in favour of focusing on areas where we have identified improvement is needed.

While it is absolutely appropriate to emphasize areas of concern in order to drive understanding and action to make things better, I believe it is equally important for Albertans to understand where our auditing shows that their government is working effectively in serving them.

To that end, I will highlight a few areas from the audits in this report where we found improvements worth noting.

In our follow-up report to an audit we conducted in 2009 on food safety, in which we provided 10 recommendations, we found all of our recommendations have been implemented. Specifically, there were a number of improvements in how the organizations—Alberta Agriculture and Forestry, Alberta Health and Alberta Health Services—work together, reducing the risk of any gaps in the food safety system that could exist when multiple parties are involved.

In the energy sector, industrial control systems (ICS) are a key component of oil and gas operators' efforts to monitor and ensure safe and reliable operations. Following up on an audit we conducted in 2015 to evaluate if the government should assess the risks to Alberta from unsecured ICS used in provincially regulated oil and gas infrastructure, we concluded that the Alberta Energy Regulator (AER) and the Department of Energy have implemented our recommendation by conducting an assessment to understand how the oil and gas industry was managing its ICS security risk and the controls that the operators have implemented to secure the ICS.

And acting on a recommendation from our office, the Alberta Gaming and Liquor Commission has improved its systems for managing external information technology (IT) vendors' access to its systems. This action reduces risk to its critical gaming and liquor IT systems, which could have had a major impact on the AGLC's business operations and government revenues.

Better healthcare for Albertans

There is probably nothing more important to Albertans than their health.

In May of this year, my office released a report, *Better Healthcare for Albertans*, offering a path forward on successfully achieving integrated, patient-centred care in Alberta.

Better Healthcare of Albertans is our attempt to get to the root causes of why Alberta has yet to achieve fully integrated care, despite it being the stated policy direction of government since the 1990s.

In presenting that report, we noted that many of the building blocks are in place, and progress is being made. What is needed is for all of those building blocks to be put together.

This report includes three follow-up audits on some important building blocks within the system.

One of these follow-up audits is on infection prevention and control, in which we conclude that the Department of Health and Alberta Health Services have implemented our recommendations. They made significant and meaningful improvement in infection control based on the sample hospitals we reviewed, reducing the risk of infection to Albertans in the hospital environment.

In our follow-up audit on non-hospital contracted surgical services, we found that Alberta Health Services has implemented our recommendations on improving oversight on performance of non-hospital surgical facilities in delivering quality health services to Albertans. This oversight provides assurance on safety and achieving appropriate surgical outcomes from surgeries performed in a medical office or non-hospital facility.

Perhaps the most significant building block we examined as part of this report is a follow-up audit on primary care networks.

Effective primary care is the foundation of a high-performing healthcare system. It is critical for preventing acute illness and effectively and efficiently managing chronic disease.

The objective of our follow-up audit was to determine whether the department and AHS implemented our previous recommendations on the PCN program.

In June 2017, PCNs and PCN physicians ratified a new PCN governance structure proposed by the department.

In our opinion, the department, AHS and PCNs, collectively, have taken sufficient action for us to conclude that, as of June 30, 2017, the department had implemented our four recommendations to improve its systems to manage the PCN program, and AHS had implemented our recommendation to improve its systems to measure and report the effectiveness of its partnership in PCNs.

The healthcare sector's understanding and awareness of how PCNs, and primary care in general, should evolve has also progressed considerably. The department, AHS and physicians recognize that more work is needed to fulfill the objectives of the PCN program.

To help the department and PCNs continue to advance the program in a structured and timely manner, we have provided two new recommendations:

- First, to set measurable targets for each PCN and report publicly to Albertans on whether and how the PCN program targets are being achieved.
- And second, to establish and deliver on a firm plan to attach and inform all Albertans about the PCN to which they belong.

It is vital to understand how well PCNs are performing in order to make any necessary adjustments and continuously improve the systems to best serve Albertans. It is equally important for Albertans to know which PCN they belong to in order to become more active participants in their own care, as well as to receive better access to effective and quality care built around their needs as an individual patient.

Areas needing improvement

In addition to the progress we noted in these follow-up reports, there are areas where we noted the need for improvement.

First, capital planning. It is vital that governments have well-designed, long-term planning processes so that the capital investments they make today will meet the needs of tomorrow.

In a new audit with Alberta Infrastructure on Government of Alberta Capital Planning, we found that between the March 2015 and April 2016 capital plans, the Department of Infrastructure made improvements to the capital planning system. However, Infrastructure needs to improve its capital planning processes further by updating its guidance to departments, clarifying its phased approach to capital planning and approval, and examining maintenance programs and how those programs are funded.

This improvement is important as government relies on the information coming forward through this planning process to make decisions on appropriate investments for capital on such things as health facilities, roads and bridges, and schools to ensure that they are aligning with the commitments made by government, and that they are in the best interest of Albertans.

A second area I want to highlight relates to the government's stated commitment for collaboration between Alberta's 21 public post-secondary institutions in an effort to improve services to students and make the advanced education system more efficient, effective and sustainable.

In a follow-up to our 2013 audit to determine if the Department of Advanced Education and public post-secondary institutions had adequate systems to plan, govern, implement and sustain the collaborative initiatives among Alberta's institutions, we found that, similar to the findings in our original audit, there is no ministry strategic or business plan for collaboration. Without a plan, institutions do not fully understand what the department expects Campus Alberta to achieve or how to achieve it.

In short, we saw no substantive evidence that anything has changed.

A third area I would like to highlight for the Legislative Assembly and for Albertans is a finding that came through our financial statement audit of the Department of Culture and Tourism.

Part of our process in conducting financial statement audits of each department includes considering where we may need to make an in-depth examination either within the financial statement audits, or identifying an area that may merit a performance audit of systems or processes.

A key matter for which we felt an in-depth examination was necessary in this past year's financial statement audits was in the department of Culture and Tourism related to the Alberta Production Grant (APG) program.

Through our audit, we found that in the administration of this program:

- unclear guidelines have allowed grant recipients to claim ineligible expenses
- the department did not use a risk-based approach in its audits of the grant recipients
- the department continues to fund individuals even when the companies they own or are associated with claim ineligible expenses

Without effective controls over the administration of this program, there is an increased risk to the viability of the program and ultimately its ability to contribute to the economic diversification of the province.

A further observation from the 2016–2017 department financial statement audits is, in general, a need for improvement in enterprise risk management.

While our audits include specific recommendations to the departments of Education and Advanced Education, other new recommendations to Economic Development and Trade, and Treasury Board and Finance also relate to financial controls and mitigation of risks.

Outstanding Recommendations

In the last year, we reported that 40 of our recommendations to government have been implemented.

Our October 2017 report includes a summary status of 159 recommendations from past reports.

While management has indicated 33 recommendations have been implemented and are ready for follow-up audits, at the time of publication of this report 126 recommendations are reported as still not ready for follow-up. Of these 126 recommendations, 47 have been outstanding for more than three years.

We provide this summary as a guide to help legislators, the public service and Albertans identify areas that may need additional attention to determine why departments or entities have not been able to deal with our recommendations for improvement.

As we reported in *Better Healthcare for Albertans* this past May, an examination of the reasons for outstanding recommendations can help identify root causes, or barriers, that must be resolved.

It is in that context that I would encourage you to read and use the *Summary Report of Outstanding Recommendations*.

In conclusion

This report represents many thousands of hours of detailed work and a high level of professionalism and expertise by many individuals working together to make a difference in the lives of Albertans.

On behalf of everyone at the Office of the Auditor General, I would like to thank the staff of all the government entities we worked with this year to complete the performance and financial statement audits included in this report.

I would also like to extend our thanks to the members of the Provincial Audit Committee for their ongoing work to review our audit results and provide us with advice on relevancy and understandability, and whether our recommendations are practical.

I also want to thank the members of the Public Accounts Committee of the Assembly. By discussing our work with public services managers and seeking assurance that they are taking meaningful steps to implement our recommendations, the Committee plays a critical role in holding the public service accountable for results and ensuring our work is acted upon.

Finally, I would also like to extend a sincere thank you to our legislative auditors and our office staff for their contributions. This report is a significant undertaking, and we appreciate everyone's efforts.

Merwan Saher FCPA, FCA
Auditor General of Alberta

Auditor General
OF ALBERTA

Summary Report of Outstanding Recommendations

October 2017

Summary Report of Outstanding Recommendations

This document is outstanding recommendations by ministry, including the respective reporting entities.

Each recommendation notes its status, based on management informing us that either:

- the recommendation is still being implemented and is not ready for a follow-up audit, or
- the recommendation has been implemented and is ready for a follow-up audit

The reports that contain these recommendations can be found on our website at www.oag.ab.ca

As of October 2017, there are 159 outstanding recommendations summarized by ministry as follows:

Department	As of October 2016			As of October 2017		
	Greater than 3 Years	Less than 3 Years	Total	Greater than 3 Years	Less than 3 Years	Total
Advanced Education	12	9	**21**	8	7	**15**
Agriculture and Forestry	2	6	**8**		6	**6**
Children's Services	–	–	**–**	–	4	**4**
Community and Social Services	–	–	**–**	–	4	**4**
Culture and Tourism	–	1	**1**	–	1	**1**
Economic Development and Trade	1	3	**4**	–	1	**1**
Education	1	11	**12**	–	13	**13**
Energy	–	11	**11**	–	9	**9**
Environment and Parks	10	12	**22**	10	11	**21**
Executive Council	1	1	**2**	1	1	**2**
Health	16	26	**42**	5	23	**28**
Human Services	5	9	**14**	–	–	**–**
Indigenous Relations	–	4	**4**	2	–	**2**
Infrastructure	4	3	**7**	–	6	**6**
Justice and Solicitor General	–	4	**4**	5	8	**13**
Labour	2	–	**2**	2	–	**2**
Legislative Assembly Offices	–	–		–	–	**–**
Municipal Affairs	–	3	**3**		3	**3**
Seniors and Housing	2	3	**5**	4	1	**5**
Service Alberta	2	1	**3**	2	2	**4**
Status of Women	–	–		–	–	**–**
Transportation	1	–	**1**	1	–	**1**
Treasury Board and Finance	8	18	**26**	7	12	**19**
Total Outstanding						
Ready for follow-up audit	20	17	**37**	16	17	**33**
Not yet ready for audit	47	108	**155**	31	95	**126**
Total	**67**	**125**	**192**	**47**	**112**	**159**

Since our report in October 2016, we have made 15 new recommendations and reported that 40 have been implemented.

Advanced Education

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

For-profit and cost recovery ventures at post-secondary institutions: Document and communicate expectations and guidelines—October 2015, no. 1, p. 25
We recommend that the Department of Advanced Education:

- document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures
- establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations
- update and approve for-profit venture guidelines, to support best practices and align with the department's expectations
- develop a process to communicate the department's expectations and guidelines to all institutions.

For-profit and cost recovery ventures at post-secondary institutions—Improve department's oversight of institution's risk assessment of ventures—October 2015, no. 2, p. 27
We recommend that the Department of Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:

- tailoring board training to examine these ventures
- maintaining relevant documentation of the institution's risk assessment and venture approval requests
- requiring the institution to comply with the department's expectations and guidelines
- requiring the institution to report on venture results on an ongoing basis
- providing effective feedback and ongoing guidance to the boards

Improve review of travel, meal and hospitality expenses—May 2017, no. 4, p. 56
We recommend that the Department of Advanced Education improve its review processes for travel, meal and hospitality expenses.

Collaborative initiatives among post-secondary institutions: Develop strategic plan and accountability framework—October 2017, Performance Auditing, p. 37 (originally July 2013, no. 6, p. 48)
We again recommend that the Department of Advanced Education, working with institutions:

- develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the costs associated with collaborative initiatives
- review and clarify the accountability structure for governing collaborative initiatives

Collaborative initiatives among post-secondary institutions: Develop processes and guidance to plan, implement and govern collaborative projects—October 2017, Performance Auditing, p. 40 (originally July 2013, no. 7, p. 51)
We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.

Implement enterprise risk management framework—October 2017, Financial Statement Auditing, p. 15 (originally October 2015, no. 15, p. 124)
We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.

Post-Secondary Institutions

	Outstanding Recommendations		
Institution	3+ Years*	Other	Total
Alberta College of Art + Design	–	–	–
Athabasca University	2	–	2
Bow Valley College	–	–	–
Grande Prairie Regional College	–	–	–
Keyano College**	1	1	2
Lakeland College	–	1	1
Lethbridge College	–	–	–
MacEwan University	–	–	–
Medicine Hat College	–	–	–
Mount Royal University	–	–	–
NorQuest College	–	–	–
Northern Alberta Institute of Technology	–	–	–
Northern Lakes College	1	–	1
Olds College	1	1	2
Portage College	1	–	1
Red Deer College	–	–	–
Southern Alberta Institute of Technology	–	–	–
University of Alberta	–	–	–
University of Calgary	–	–	–
University of Lethbridge	–	–	–
Total Outstanding	6	3	9
Ready for follow-up audit***	3	1	4
Not yet ready for audit	3	2	5

* Originally issued in October 2014 report and earlier

** Outstanding recommendation to improve financial reporting processes

*** Based on management representations to August 21, 2017

Athabasca University

The following recommendations are outstanding and not yet ready for follow-up audits:

Establish information technology resumption capabilities—October 2016, no. 9, p. 65 (originally October 2010, no. 10, p. 111 and repeated October 2013, no. 9, p. 96)
We again recommend that Athabasca University:

- assess the risks and take the necessary steps to establish appropriate off-site disaster recovery facilities that include required computer infrastructure to provide continuity of critical information technology systems
- complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster

Improve procedures to monitor and report access and security violations —October 2016, no. 10, p. 67 (originally October 2013, no. 8, p. 95)
We again recommend that Athabasca University formalize its access and security monitoring procedures to:

- detect and assess security threats to critical information systems
- report access and security violations to senior management
- identify and resolve the root causes of security threats and violations

Keyano College

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve financial reporting processes—February 2016, no. 13, p. 102
We recommend that Keyano College improve its financial reporting by:

- training staff on Canadian Public Sector Accounting Standards
- improving its monitoring and reviewing processes to ensure accurate financial information

Improve systems to ensure compliance with legislation[1]—May 2017, no. 8, p. 86 (originally February 2013, no. 7, p. 60)
We recommend that Keyano College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

1 As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016 and October 2016.

Lakeland College

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit:

Improve segregation of duties—February 2016, no. 14, p. 103
We recommend that Lakeland College improve segregation of duties within the finance department.

Northern Lakes College

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation—May 2017, no. 8, p. 86 (originally February 2013, no. 7, p. 60)
We recommend that Northern Lakes College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

Olds College

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve access controls to information systems—February 2016, no. 15, p. 105
We recommend that Olds College strengthen its information systems access controls, to ensure it:

- promptly removes system access privileges when staff or contractors leave the college
- discontinues the practice of leaving accounts open for email access after staff are terminated

Management has identified the recommendation as implemented—to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation—May 2017, no. 8, p. 86 (originally February 2013, no. 7, p. 60)
We recommend that Olds College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

Portage College

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation[2]—February 2013, no. 7, p. 60
We recommend that Portage College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

Agriculture and Forestry

Agriculture and Forestry and Agriculture Financial Services Corporation

The following recommendation is outstanding and not yet ready for a follow-up audit:

Systems to manage the lending program: Define oversight responsibilities—October 2016, no. 2, p. 25
We recommend that the Department of Agriculture and Forestry and the board of directors of the Agriculture Financial Services Corporation clearly define the oversight responsibilities of both parties for the lending program.

Agriculture Financial Services Corporation

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to manage the lending program: Define strategic objectives, articulate sector credit needs and re-evaluate the relevance of the lending program—October 2016, no. 1, p. 23
We recommend that the Agriculture Financial Services Corporation:

- clearly define the strategic objectives of the lending program, these objectives should be consistent with AFSC's legislative mandate
- clearly articulate the credit needs of the agriculture sector in Alberta, which should drive its lending activities
- develop a process to periodically re-evaluate the relevance of the lending products it offers to ensure they continue to be relevant

Systems to manage the lending program: Develop a funding model and costing system—October 2016, no. 3, p. 29
We recommend that the Agriculture Financial Services Corporation:

- develop a product-specific government funding model
- develop a costing system capable of allocating, tracking and reporting product-specific costs

2 As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016 and October 2016.

Systems to manage the lending program: Monitor the performance of the loan portfolio—October 2016, no. 4, p. 29
We recommend that the Agriculture Financial Services Corporation set up an independent function to monitor the performance of the loan portfolio.

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit.

Ensure compliance with established policies—October 2016, no. 11, p. 75
We recommend that the Agriculture Financial Services Corporation:

- ensure that agreements between AFSC and its employees comply with the corporation's established policies. If deviations from policies are necessary, adequate justification and support should be documented
- improve its training policy and reimbursement agreements to make them more specific and in line with the guidance by Government of Alberta Corporate Human Resources
- consider recovering expenses that did not comply with AFSC's policies

Children's Services

Department

The following recommendations are outstanding and not yet ready for follow-up audits.

Improve access control processes—October 2014, no. 18, p. 151
We recommend that the Department of Children's Services improve access control processes for all its information systems to ensure:

- user access to application systems and data is properly authorized
- user access is disabled promptly when employees leave their employment or role

Systems to deliver child and family services to Indigenous children in Alberta: Enhance early support services—July 2016, no. 1, p. 13
We recommend that the Department of Children's Services:

- enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services
- report to the public regularly on the effectiveness of early support services

Systems to deliver child and family services to Indigenous children in Alberta: Ensure a child-centred approach—July 2016, no. 2, p. 17
We recommend that the Department of Children's Services improve its systems to:

- ensure the care plan for each Indigenous child requiring intervention services is adhered to and meets the standards of care the department sets for all children in Alberta
- analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results

Systems to deliver child and family services to Indigenous children in Alberta: Strengthen intercultural understanding—July 2016, no. 3, p. 24
We recommend that the Department of Children's Services continue to enhance its staff training of the history and culture of Indigenous peoples, as well as its training of intercultural understanding. The department should seek the expertise of Indigenous leaders and communities when developing the training.

Community and Social Services

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve access control processes—October 2014, no. 18, p. 151
We recommend that the Department of Community and Social Services improve access control processes for all its information systems, to ensure:

- user access to application systems and data is properly authorized
- user access is disabled promptly when employees leave their employment or role

Systems to manage the AISH program: Improve program accessibility—October 2016, no. 5, p. 35
We recommend that the Department of Community and Social Services ensure its application processes are user friendly.

Systems to manage the AISH program: Set service standards and improve eligibility procedures and guidelines—October 2016, no. 6, p. 38
We recommend that the Department of Community and Social Services:

- set service standards for application processing times and regularly monitor against these standards
- improve procedures and guidelines to ensure staff apply policy in a consistent manner

Systems to manage the AISH program: Improve reporting on efficiency—October 2016, no. 7, p. 42
We recommend that the Department of Community and Social Services improve its processes to measure, monitor and report on the efficiency of the AISH program.

Culture and Tourism

Department

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve controls over administration of the APG program—October 2017, Financial Statement Auditing, p. 37
We recommend that the Department of Culture and Tourism improve its controls over administration of the APG program by:

- defining and documenting clear, easy-to-understand criteria for Alberta eligible expense; and communicating them to stakeholders
- using a risk based approach when selecting grant files to audit
- establishing an appropriate mechanism to facilitate a timely recovery of funds

Economic Development and Trade

Alberta Innovates

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve financial reporting processes—October 2017, Financial Statement Auditing, p. 44
We recommended that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.

Education

Department

The following recommendation is outstanding and not yet ready for a follow-up audit:

Systems to improve student attendance in Northland School Division: Oversight by the department—March 2015, no. 2, p. 23
We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:

- the division develops and executes an operational plan to improve student attendance
- the operational plan identifies the resources needed and how results will be measured, reported and analyzed

Education & Infrastructure—School-building Program: Clarify roles and responsibilities—April 2016, no. 1, p. 9
We recommend that the Department of Education improve its oversight of the school-building program by:

- working with the Department of Infrastructure to clarify the roles and responsibilities of each department and establishing supporting policies and procedures
- developing clear decision making authorities for the program

Education & Infrastructure—School-building Program: Improve the planning and approval process—April 2016, no. 2, p. 12
We recommend that the Department of Education improve project approvals for new schools and modernizations by:

- implementing a gated approval process
- identifying the approval gates, required deliverables and responsibilities for completion of the deliverables

Education & Infrastructure—School-building Program: Improve systems to manage and control projects—April 2016, no. 3, p. 13
We recommend that the Department of Education improve its systems to manage and control school capital projects by:

- agreeing on project expectations promptly with school jurisdictions and Infrastructure, including scope, budget and key milestones
- developing and implementing change management policies and procedures

Education & Infrastructure—School-building Program: Improve reporting systems and controls—April 2016, no. 6, p. 16
We recommend that the Department of Education define and report on the key performance indicators of the school-building program.

Education & Infrastructure—School-building Program: Match capital funding to project progress—April 2016, no. 8, p. 19
We recommend that the Department of Education improve its cash flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress.

Education & Infrastructure—School-building Program: Submit revised plan for approval—April 2016, no. 9, p. 19
We recommend if Treasury Board adjusts the Department of Education's funding request, the Department of Education should submit its revised school-building program plan to the Treasury Board for approval. The revised plan should align with the approved funding and should clearly identify the impact on project progress.

Implement an enterprise risk management process—October 2017, Financial Statement Auditing, p. 50
We recommend that the Department of Education implement an enterprise risk management process.

Improve controls over tracking and reporting cost obligations for school construction projects—October 2017, Financial Statement Auditing, p. 51
We recommend that the Department of Education improve controls over tracking and reporting cost obligation for school construction projects.

Education and Infrastructure

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve systems to manage and control projects—April 2016, no. 4, p. 14
We recommend that the departments of Education and Infrastructure improve the planning process by:

- identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors
- basing oversight of projects managed by school jurisdictions on risk

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 7, p. 16
We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:

- defining reporting requirements, including measures to assess project performance
- using a common reporting system that specifies where information will be retained, who will update it and how it will be updated

Northland School Division No. 61

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to improve student attendance in Northland School Division: Develop plan to improve student attendance—March 2015, no. 1, p. 23
We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:

- measurable results and responsibilities
- a prioritized list of student-centered strategies, initiatives and programs
- documentation of the costs and resources required to action the strategies, initiatives and programs
- a specific timeline for implementation
- reporting on progress and accountability for improved attendance results

Systems to improve student attendance in Northland School Division: Monitor and enforce student attendance—March 2015, no. 3, p. 30
We recommend that Northland School Division improve its guidance and procedures for schools to:

- consistently record and monitor student attendance
- benchmark acceptable attendance levels
- manage and follow up on non-attendance

Energy

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Evaluate and report on royalty reduction program objectives—February 2016, no. 1, p. 18
We recommend that the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives.

Improve controls over access to key business systems—October 2016, no. 16, p. 99
We recommend that the Department of Energy document conflicting roles within its key business systems and ensure appropriate controls are in place where conflicting roles are identified.

Alberta Energy Regulator

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to regulate pipeline safety and reliability in Alberta: Formalize training program for core pipeline staff—March 2015, no. 5, p. 46
We recommend that the Alberta Energy Regulator complete a skills gap analysis and formalize a training program for its core pipeline staff.

Systems to regulate pipeline safety and reliability in Alberta: Identify performance measures and targets—March 2015, no. 6, p. 51
We recommend that the Alberta Energy Regulator identify suitable performance measures and targets for pipeline operations, assess the results obtained against those measures and targets, and use what it learns to continue improving pipeline performance.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Systems to regulate pipeline safety and reliability in Alberta: Use risk management activities to make informed decisions—March 2015, no. 4, p. 46
We recommend that the Alberta Energy Regulator use its risk management activities to make informed decisions on allocating resources and determine the nature and extent of activities to oversee pipelines.

Systems to regulate pipeline safety and reliability in Alberta: Review pipeline incident factors—March 2015, no. 7, p. 53
We recommend that the Alberta Energy Regulator:

- expand its analysis of pipeline incident contributing factors beyond the primary causes
- promptly share lessons learned from its investigations with industry and operators

Systems to regulate pipeline safety and reliability in Alberta: Assess current pipeline information—March 2015, no. 8, p. 56
We recommend that the Alberta Energy Regulator complete an assessment of its current pipeline information needs to support effective decision making, and determine the type and extent of data it should collect from pipeline operators, through a proactive, risk-based submission process.

Systems to regulate pipeline safety and reliability in Alberta: Implement risk-based compliance process—March 2015, no. 9, p. 59
We recommend that the Alberta Energy Regulator implement a cost effective risk-based compliance process to evaluate the adequacy and effectiveness of pipeline operators' integrity management programs, and safety and loss management systems.

Systems to ensure sufficient financial security for land disturbances from mining: Improve program monitoring—July 2015, no. 3, p. 31
We recommend that the Alberta Energy Regulator, as part of its enterprise risk assessment process, develop and execute on a risk-based plan for its Mine Financial Security Program monitoring activities to ensure it is carrying out the appropriate amount of verification.

Environment and Parks

Department

The following recommendations are outstanding and not yet ready for follow-up audits.

Sand and gravel: Flat fee security deposit—October 2008, no. 41, p. 362
We recommend that the Department of Environment and Parks assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.

Climate change: Public reporting—October 2012, no. 10, p. 38 (originally October 2008, no. 11, p. 101)
We again recommend that the Ministry of Environment and Parks improve the reliability, comparability and relevance of its public reporting on Alberta's results and costs incurred in meeting climate change targets.

Climate change: Improve planning—July 2014, no. 2, p. 41 (originally October 2008, no. 9, p. 97)
We again recommend that the Department of Environment and Parks improve Alberta's response to climate change by:

- establishing overall criteria for selecting climate change actions
- creating and maintaining a master implementation plan for the actions necessary to meet the emissions intensity target for 2020 and the emissions-reduction target for 2050
- corroborating—through modelling or other analysis—that the actions chosen by the ministry result in Alberta being on track for achieving its targets for 2020 and 2050

Climate change: Improve monitoring processes—July 2014, no. 3, p. 44 (originally October 2008, no. 10, p. 100)
We again recommend that for each major action in the 2008 Climate Change Strategy, the Department of Environment and Parks evaluate the action's effect in achieving Alberta's climate change goals.

Sand and gravel: Enforcement of reclamation obligations—July 2014, no. 4, p. 51 (originally October 2008, no. 40, p. 360)
We again recommend that the Department of Environment and Parks improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.

Flood mitigation systems: Update flood hazard maps and mapping guidelines —March 2015, no. 10, p. 76
We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:

- mapping flood areas that are not currently mapped but are at risk of flooding communities
- updating and maintaining its flood hazard maps
- updating its flood hazard mapping guidelines

Flood mitigation systems: Assess risk to support mitigation policies and spending —March 2015, no. 11, p. 78
We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.

Flood mitigation systems: Assess effects of flood mitigation actions—March 2015, no. 13, p. 82
We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.

Systems to regulate dam safety: Develop plan to regulate dams—March 2015, no. 14, p. 90
We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.

Systems to regulate dam safety: Improve dam regulatory activities—March 2015, no. 15, p. 92
We recommend that the Department of Environment and Parks improve its dam regulatory activities by:

- maintaining a reliable registry of dams
- obtaining sufficient information to assess the risk and consequences of dam failure
- retaining evidence of regulatory activities performed
- following up to ensure that owners correct deficiencies or manage them until they are corrected

Systems to manage grazing leases: Clarify objectives, benefits and relevant performance measures—July 2015, no. 1, p. 20
We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.

Systems to ensure sufficient financial security for land disturbances from mining: Improve program design—July 2015, no. 2, p. 29
We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:

- analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology
- demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation

Systems to manage the SGE Regulation: Clarify SGE Regulation guidance documents —July 2015, no. 4, p. 43 (originally October 2009, no. 4, p. 46, repeated November 2011, no. 1, p. 17)
We recommend for a third time that the Department of Environment and Parks clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow its requirements to achieve the Alberta government's emission reduction targets.

Systems to manage the SGE Regulation: Ensure offset protocols meet new standard and improve transparency—July 2015, no. 5, p. 46 (originally November 2011, no. 2, p 23)
We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.

Managing Alberta's Water Act Partnerships and Regulatory Activities: Monitor wetland restoration—October 2015, no. 6, p. 45 (originally April 2010, no. 6, p. 71)
We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.

Improve capital asset monitoring and recording processes—October 2016, no. 17, p. 104
We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:

- reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other
- completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records
- applying criteria to decide when to write down an asset, and documenting the assessment of such decisions

Climate change: Outsourced service providers—May 2017, no. 5, Page 62 (originally October 2009, p. 49)
We again recommend that the Department of Environment and Parks obtain assurance that data hosted or processed by its provider of registry services is accurate, complete and secure.

Management has identified these recommendations[3] as implemented –to be confirmed with follow-up audits:

Sand and gravel: Quantity of aggregate removed—July 2014, no. 5, p. 52 (originally October 2008, p. 364)

We again recommend that the Department of Environment and Parks develop systems to verify quantities of aggregate reported as removed by industry from public lands so that all revenue due to the Crown can be assessed and recorded in the financial statements..

Joint Canada–Alberta plan for oil sands monitoring: Ensure timely, accurate and transparent public reporting—October 2014, no. 1, p. 26
We recommend that the Department of Environment and Parks work with the Government of Canada to ensure that public reporting on the joint plan is timely, accurate and transparent.

Joint Canada–Alberta plan for oil sands monitoring: Improve planning and monitoring —October 2014, no. 2, p. 29
We recommend that the Department of Environment and Parks:

- implement effective processes for monitoring project status
- develop and implement work plans, with roles and responsibilities and timelines and deliverables, for implementing all key commitments under the joint plan
- clarify what needs to be done to implement any joint plan projects and commitments remaining after March 2015

3 The following two recommendations were originally made to Alberta Environmental Monitoring, Evaluation and Reporting Agency dissolved effective July 1, 2016.

Department and Municipal Affairs

The following recommendation is outstanding and not yet ready for a follow-up audit:

Flood mitigation systems: Designate flood hazard areas and complete floodway development regulation—March 2015, no. 12, p. 80
To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:

- Department of Environment and Parks identify flood hazard areas for designation by the minister
- Department of Municipal Affairs:
  - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
  - put in place processes to enforce the regulatory requirements

Executive Council

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Assess risk and improve oversight—October 2012, no. 11, p. 62
We recommend that Executive Council:

- assess the risks to public information assets throughout the government
- determine if the government has adequate IT security policies, standards and controls to mitigate risks
- determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically:
  - who is responsible for monitoring compliance with IT security requirements
  - who is responsible for ensuring or enforcing compliance with security requirements
  - what actions should be taken when non-compliance is identified
  - how is compliance to security requirements demonstrated

Contracting Processes: Improve contracting processes—October 2016, no. 8, p. 55 (originally October 2014, no. 10, p. 62)
We again recommend that the Department of Executive Council improve its contracting processes by documenting:

- the rationale for contracting services and selecting vendors when entering into sole-sourced contracts
- its assessment of whether proposed contract rates are reasonable, and ensuring contracts are authorized and in place before contracted services are received

Health

Ministry and Department

The following recommendations are outstanding and not yet ready for follow-up audits.

Electronic health records: User access management—October 2009, p. 80
We recommend that the Department of Health ensure that its user access management policies are followed and that user access to health information is removed when access privileges are no longer required.

Chronic disease management: Improve delivery of chronic disease management services—September 2014, no. 1, p. 11
We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:

- defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease
- requesting family physicians to deliver comprehensive teambased care to their patients with chronic disease, through a Primary Care Network or appropriate alternative
- establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds
- facilitating secure sharing of patients' healthcare information among authorized providers
- strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical

Chronic disease management: Improve delivery of pharmacist care plan initiative —September 2014, no. 7, p. 32
We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:

- establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team
- strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross
- setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis

Chronic disease management: Strengthen electronic medical records systems —September 2014, no. 8, p. 37
We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:

- identifying patient-physician relationships and each patient's main health conditions and risk factors
- tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met
- appropriately and securely sharing patient health information between authorized healthcare providers
- reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement

Chronic disease management: Provide individuals access to their personal health information—September 2014, no. 9, p. 41

We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:

- their medical history, such as physician visits, medications and test results
- their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan

Crown's right of recovery of healthcare costs from motor vehicle accidents: Clarify objectives of collecting revenue and prepare supporting rationale—October 2014, no. 3, p. 37

We recommend that the Department of Health:

- publicly articulate its objectives in setting the aggregate assessment
- report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents

We also recommend that the Department of Health obtain additional information to demonstrate that the amount proposed for the aggregate assessment is the appropriate amount that should be charged given the competing objectives.

Crown's right of recovery of healthcare costs from motor vehicle accidents: Calculating the aggregate assessment—October 2014, no. 4, p. 38

We recommend that the Department of Health review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs.

Systems to manage the delivery of mental health services: Use action plan and progress reporting to implement strategy—July 2015, no. 6, p. 63

We recommend that the Department of Health:

- use an action plan to implement the strategy for mental health and addictions
- monitor and regularly report on implementation progress

Healthcare processes: Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements—October 2015, no. 12, p. 101

We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta healthcare number continue to meet the residency requirements specified in the *Alberta Health Care Insurance Act and Regulation*.

Healthcare processes: Enhance processes to check for receipt of services for which physicians billed—October 2015, no. 13, p. 102

We recommend that the Department of Health enhance the processes it uses to check whether:

- patients received the medical services for which physicians billed the department
- payments are being made in accordance with the provisions of the *Alberta Health Care Insurance Act*

Primary Care Networks: Evaluate PCN effectiveness—October 2017, Performance Auditing, p. 79
We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to:

- agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets
- develop a formal action plan for public reporting of PCN program performance

Primary Care Networks: Informing Albertans about PCN services—October 2017, Performance Auditing, p. 84
We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to:

- require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process
- agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit:

Seniors care in long-term care facilities: Oversight at the provincial level —October 2014, no. 13, p. 91
We recommend that the Department of Health:

- clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery
- improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them
- finish the review of the continuing care health service standards
- implement a mechanism for timely analysis and action on the accommodation cost data

Health and Alberta Health Services

The following recommendations are outstanding and not yet ready for follow-up audits:

Chronic disease management: Improve support of patient-physician relationships —September 2014, no. 2 & 3, p. 18
We recommend that the Department of Health improve its support of patient-physician relationships by:

- requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so
- determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level

We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.

Chronic disease management: Improve physician care plan initiative —September 2014, no. 5 and 6, p. 26

We recommend that the Department of Health improve its physician care plan initiative by:

- defining its expectations for what care plans should contain and how they should be managed by physicians and care teams
- setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis
- strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable

We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams.

Alberta Health Services

The following recommendations are outstanding and not yet ready for follow-up audits:

Chronic disease management: Improve AHS chronic disease management services —September 2014, no. 4, p. 22

We recommend that Alberta Health Services improve its chronic disease management services by:

- assessing the total demand for chronic disease management services across Alberta
- developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated
- setting provincial objectives and standards for its chronic disease management services
- establishing systems to measure and report the effectiveness of its chronic disease management services

Seniors care in long-term care facilities: Monitoring care at the resident level —October 2014, no. 11, p. 84

We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:

- develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation
- develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents

Seniors care in long-term care facilities: Managing performance of long-term care facilities—October 2014, no. 12, p. 88

We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:

- clearly define which program area within AHS is responsible for managing performance of individual facilities

- establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents
- establish a formal mechanism to escalate compliance action for higher risk facilities

Information technology control policies and processes—October 2014, no. 17, p. 137 (originally October 2009, no. 29, p. 262)

We again recommend that Alberta Health Services:

- develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources
- monitor compliance with security policies, implementing effective change management processes and improving passwords controls

Systems to manage the delivery of mental health services: Integrate mental health service delivery and eliminate gaps in service—July 2015, no. 7, p. 67

We recommend that Alberta Health Services for its own community and hospital mental health and addictions services:

- work with physicians and other non-AHS providers to advance integrated care planning and use of interdisciplinary care teams where appropriate for clients with severe and persistent mental illness who need a comprehensive level of care
- improve availability of mental health resources at hospital emergency departments
- improve its system to monitor and ensure community mental health clinics comply with AHS's expectations for treatment planning and case management
- improve its process to identify and evaluate good operational practices used by local mental health and addictions staff, and deploy the best ones across the province

Systems to manage the delivery of mental health services: Improve information management in mental health and addictions—July 2015, no. 8, p. 75

We recommend that Alberta Health Services make the best use of its current mental health and addictions information systems by:

- providing authorized healthcare workers within all AHS sites access to AHS mental health and addictions clinical information systems
- strengthening information management support for its mental health treatment outcomes measurement tools

Systems to manage the delivery of mental health services: Complete assessment and develop waitlist for Albertans who need community housing supports—July 2015, no. 9, p. 79

We recommend that Alberta Health Services in supporting the work of the cross-ministry housing planning team established under the mandate of the Minister of Seniors:

- complete its assessment and report on gaps between supply and demand for specialized community housing support services for mental health and addictions in the province
- develop a waitlist management system to formally assess the housing support needs of AHS's mental health hospital and community patients and coordinate their placement into specialized community spaces funded by AHS

Develop a detailed plan for implementing risk-based disaster recovery processes —October 2015, no. 14, p. 104

We recommend that Alberta Health Services develop and follow a comprehensive plan for implementing risk-based disaster recovery processes, including the necessary IT infrastructure.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Capital project monitoring systems—October 2009, no. 32, p. 271

We recommend that Alberta Health Services improve the efficiency and effectiveness of its financial capital project monitoring and reporting systems and processes by:

- implementing common systems, policies and procedures to track and monitor key financial information
- providing relevant, timely and accurate information to executive management and the audit and finance committee

Fees and charges—October 2012, no. 25, p. 123

We recommend that Alberta Health Services:

- reinforce its admissions policies to ensure consistent application
- review its controls over the processes that generate fees and charges revenue, to ensure they are appropriately designed, consistent across regions and aligned with current policies

Controls over expenses—February 2013, no. 1, p. 24

We recommend that Alberta Health Services tighten its controls over expense claims, purchasing card transactions and other travel expenses by:

- improving the analysis and documentation that support the business reasons for—and the cost effectiveness of—these expenses
- improving education and training of staff on their responsibilities for complying with policies
- monitoring expenses and reporting results to the board

Indigenous Relations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

First Nations Development Fund Grants: Improve review process—May 2017, no. 6, p. 66 (originally July 2013, no. 2, p. 24)
We again recommend that the Department of Indigenous Relations improve its processes to review and approve grant applications by:

- formalizing the additional review processes it developed for complex grant applications
- consistently obtaining sufficient information to support its assessment of complex grant applications

First Nations Development Fund Grants: Improve monitoring process—May 2017, no. 7, p. 69 (originally July 2013, no. 3, p. 26)
We again recommend that the Department of Indigenous Relations improve its monitoring processes by consistently ensuring First Nations comply with reporting requirements and acting to correct non-compliance with a grant agreement.

Infrastructure

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 5, p. 16
We recommend that the Department of Infrastructure improve its systems for publicly reporting on the status of school capital projects.

Government of Alberta Capital Planning: Improve capital planning standards and phased approach to capital planning and approval—October 2017, Performance Auditing, p. 20
We recommend that the Department of Infrastructure improve its capital planning system by:

- updating its capital planning standards
- clarifying the capital planning phases and the planning deliverables required for each phase
- verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees

Government of Alberta Capital Planning: Improve maintenance planning systems—October 2017, Performance Auditing, p. 23
We recommend that the Department of Infrastructure:

- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding

Government of Alberta Capital Planning: Evaluate capital maintenance programs for buildings—October 2017, Performance Auditing, p. 26
We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.

Department and Education

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve systems to manage and control projects—April 2016, no. 4, p. 14
We recommend that the departments of Education and Infrastructure improve the planning process by:

- identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors
- basing oversight of projects managed by school jurisdictions on risk

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 7, p. 16
We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:

- defining reporting requirements, including measures to assess project performance
- using a common reporting system that specifies where information will be retained, who will update it and how it will be updated

Justice and Solicitor General

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Victims of Crime Fund: Systems to manage sustainability and assess results—Develop and publicly report on a plan for the Victims of Crime Fund program—February 2016, no. 5, p. 46
We recommend that the Department of Justice and Solicitor General:

- develop and approve a business plan with measurable desired results for the Victims of Crime Fund
- publicly report on the results of this business plan

Victims of Crime Fund: Systems to manage sustainability and assess results—Determine best use of Victims of Crime Fund accumulated surplus—February 2016, no. 6, p. 49
We recommend that the Department of Justice and Solicitor General, supported by sufficient analysis, determine an appropriate use of the Victims of Crime Fund accumulated surplus

Funding Sustainable and Cost-Effective Legal Aid Services: Determine the type and scope of services a public legal aid system can sustain—May 2017, no. 1, p. 39
We recommend that the Department of Justice and Solicitor General determine, through analysis, the type and scope of services Alberta's publicly funded legal aid system can provide and sustain

Funding Sustainable and Cost-Effective Legal Aid Services: Ensure the performance measures in place for legal aid services—May 2017, no. 2, p. 42
We recommend that the Department of Justice and Solicitor General ensure there are processes in place to measure, monitor and report on the quality, efficiency and cost-effectiveness of publicly funded legal aid services

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Office of the Chief Medical Examiner: Contracting transporters of deceased rural Albertans—Develop guidelines for contract requests—July 2016, no. 1, p. 22
We recommend that the Department of Justice and Solicitor General develop guidelines that clearly identify:

- when a program area must provide a business case to support a contract request and what information must be included
- who can make a decision not to require a business case and in what circumstances, and what must be documented to support this decision

Office of the Chief Medical Examiner: Contracting transporters of deceased rural Albertans—Determine when contracted vendors will be used—July 2016, no. 2, p. 25
We recommend that the Department of Justice and Solicitor General determine and include as part of its pre-qualification contract posting process:

- a date after which only vetted and contracted vendors are eligible to provide services in the normal course of business
- circumstances in which it may need to use non-contracted vendors

Ministry and Office of The Public Guardian and Trustee

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve results analysis processes and reporting—February 2016, no. 4, p. 40
We recommend that the Public Trustee and Ministry of Justice and Solicitor General improve the performance reporting for the operations of the Public Trustee.

Office Of The Public Guardian And Trustee

The following recommendations are outstanding and not yet ready for follow-up audits:

Supervisory review of client files—February 2013, no. 2, p. 42
We recommend that the Office of the Public Guardian and Trustee improve its file management processes to ensure all client files are subject to adequate supervisory review.

Internal audit role—February 2013, no. 3, p. 42
We recommend that the Office of the Public Guardian and Trustee strengthen the role of its internal audit, ensuring it has adequate authority and independence to effectively perform its function.

Improve and follow policies—February 2013, no. 4, p. 45
We recommend that the Office of the Public Guardian and Trustee:

- review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be misappropriated or otherwise mismanaged
- improve its processes for ensuring compliance with policies and procedures

Documentation—February 2013, no. 6, p. 48
We recommend that the Office of the Public Guardian and Trustee improve its processes for ensuring client files are appropriately documented, including adequate documentation of supervisory review and internal audit.

Determine and manage surplus—February 2016, no. 3, p. 36
We recommend that the Public Trustee develop processes to effectively manage the growth and use of the accumulated surplus in the Common Fund.

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit:

Segregation of duties—February 2013, no. 5, p. 47
We recommend that the Office of the Public Guardian and Trustee strengthen its processes for the approval and payment of client expenses or disbursements.

Labour

Department

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Occupational health and safety: Improve health and safety programs—July 2016, no. 3, p. 41 (originally April 2010, p. 43)
We again recommend that the Department of Labour improve its planning and reporting systems for occupational health and safety by evaluating and reporting on whether key OHS programs and initiatives achieve desired results.

Occupational health and safety: Promoting and enforcing compliance—July 2016, no. 4, p. 43 (originally April 2010, no. 3, p. 39, repeated July 2012, no. 12, p. 83)
We again recommend that the Department of Labour clarify and enforce its procedures to approve giving employers extra time to fix worksite health and safety problems

Legislative Assembly Offices

There are no outstanding recommendations to the Legislative Assembly Office or Officers of the Legislative Assembly in this report.

Municipal Affairs

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve systems for updating the estimated disaster recovery program liability —October 2015, no. 16, page 144
We recommended that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability.

Disaster recovery program transition: Implement a transition plan—February 2016, no. 7, page 62
We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame

Department and Environment and Parks

The following recommendation is outstanding and not yet ready for a follow-up audit:

Flood mitigation systems: Designate flood hazard area and complete floodway development regulation—March 2015, no. 12, page 80
To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:

- the Department of Environment and Parks identify flood hazard areas for designation by the minister
- the Department of Municipal Affairs:
  - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
  - put in place processes to enforce the regulatory requirement

Seniors and Housing

Department

The following recommendation is outstanding and not yet ready for a follow-up audit:

Seniors care: Effectiveness of the Seniors Lodge Program and determine future needs —October 2014, no. 20, p. 183 (originally October 2005, no. 12, p. 66)

We again recommend that the Department of Seniors:

- improve the measures it uses to assess the effectiveness of the Seniors Lodge Program and obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges
- improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Systems to deliver affordable housing grants: Improve monitoring processes —July 2013, no. 12, p. 90

We recommend that the Department of Seniors improve its monitoring processes to ensure affordable housing grant recipients comply with their grant agreements by:

- developing and conducting risk-based monitoring activities
- following procedures and processes when performing monitoring activities

Systems to deliver affordable housing grants: Develop an evaluation system —July 2013, no. 13, p. 92

We recommend that the Department of Seniors improve its evaluation processes by:

- developing performance measures and adequate information systems so that the department can better evaluate and report on its affordable housing grant programs
- completing periodic evaluations of its affordable housing grants programs

Alberta Social Housing Corporation

The following recommendations are outstanding and not yet ready for a follow-up audits:

Review housing management body cash reserve policy—October 2013, no. 11, p. 145

We recommend that the Alberta Social Housing Corporation review the housing management body cash reserve policy to determine if the policy continues to meet its objective of providing appropriate short-term operational cash flow requirements to the housing management bodies.

Improve change management control procedures—October 2017, Financial Statement Auditing, p. 113

We recommend that the Alberta Social Housing Corporation improve and implement change management control procedures to ensure changes to the information systems within its computing environment are implemented in a controlled and consistent manner.

Service Alberta

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

IT disaster recovery program: Improve recovery of critical information technology applications—October 2014, no. 5, p. 45
We recommend that the Department of Service Alberta, with support from the Deputy Ministers' Council:

- identify the most critical IT applications throughout all government entities
- identify the times, after a disaster, that critical IT applications must be recovered
- ensure that there are tested plans and adequate resources to recover critical IT applications within those times

Systems to manage a comprehensive inventory of information technology applications—May 2017, no. 3, p. 51
We recommend that Service Alberta complete its plans to implement a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory. If required, Service Alberta should seek the necessary authority to complete the project.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Access and security monitoring of the revenue application systems—October 2008, p. 346
We recommend that the Department of Service Alberta ensure adequate logging and monitoring processes are in place in all application systems that host or support financial information and Albertans' personal information.

System conversion process—October 2008, p. 349
We recommend that the Department of Service Alberta document its review of actual system conversion activities to ensure that they comply with the approved test plan for system conversion and data migration.

Status of Women

Department

There are no outstanding recommendations to the Status of Women.

Transportation

Department

Management has identified the following recommendation as implemented—to be confirmed with a follow-up audit:

Commercial vehicle safety: Progressive sanctions—July 2014, no. 7, p. 70 (originally October 2009, no. 14, p. 127)
We again recommend that the Department of Transportation enforce compliance by carriers who persistently fail to comply with rules and regulations.

Treasury Board and Finance

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve ministry annual report processes—July 2012, no. 10, p. 65
We recommend that the Department of Treasury Board and Finance work with ministries to improve annual report:

- preparation processes for identifying significant performance measure variances and developing explanations for these variances for reporting
- approval processes, including senior management sign off of a summary of the year's performance measure variances and significant variance assessments

Improve performance measure reporting guidance and standards—July 2012, no. 11, p. 67
We recommend that the Department of Treasury Board and Finance improve its guidance for:

- performance measure target setting
- variance identification
- significant performance measure variance assessments and annual report explanation development
- preparing the results analysis

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Policies designed to achieve plan objectives—February 2014, no. 1, p. 24
We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:

- tolerances for the cost and funding components
- alignment between plan objectives and benefit, investment and funding policies
- pre-defined responses when tolerances are exceeded or objectives are not met

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Risk management system—February 2014, no. 2, p. 26
We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Sustainability support processes—February 2014, no. 3, p. 28
We recommend that the Department of Treasury Board and Finance:

- validate the objectives for the pension plan sustainability review with stakeholders
- evaluate and report on how each proposed change meets the objectives for the review
- cost and stress test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans
- conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention
- prepare a detailed implementation plan for the changes

Results analysis reporting: Guidance, training and monitoring needed—July 2014, no. 1, p. 18
We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:

- the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports
- processes to monitor ministry compliance with results analysis reporting standards

Economy and Efficiency of Cash Management: Evaluate cash management for efficiency and economy—February 2016, no. 8, p. 77
We recommend that the Department of Treasury Board and Finance:

- evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity
- evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool

Economy and Efficiency of Cash Management: Develop policies to prevent early payment of grants and an accumulation of large cash balances—February 2016, no. 9, p. 79
We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed

Economy and Efficiency of Cash Management: Implement and use information technology to manage cash—February 2016, no. 10, p. 82
We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management.

Economy and Efficiency of Cash Management: Use leading banking and related practices and evaluate cost benefits of bank accounts—February 2016, no. 11, p. 85
We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits.

Economy and Efficiency of Cash Management: Improve policies for payments —February 2016, no. 12, p. 86
We recommend that the Department of Treasury Board and Finance:

- periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements
- ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold

Apply policies when recommending approval to Treasury Board Committee —October 2017, Financial Statement Auditing, p. 134
We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.

Update and follow enterprise risk management system—October 2017, Financial Statement Auditing, p. 135 (originally October 2014, no. 22, p. 194)
We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Collection of outstanding corporate taxes: Maintain policies and train staff —October 2014, no. 6, p. 51
We recommend that the Department of Treasury Board and Finance:

- update and maintain its policies and procedures for tax compliance officers
- review its training program to ensure it provides relevant and ongoing training to tax compliance officers

Collection of outstanding corporate taxes: Develop internal and external performance measures and targets—October 2014, no. 7, p. 52
We recommend that the Department of Treasury Board and Finance develop comprehensive performance measures and targets for tax collections and determine which to report publicly.

Collection of outstanding corporate taxes: Improve management information and analyze data periodically—October 2014, no. 8, p. 54
We recommend that the Department of Treasury Board and Finance:

- update its management reports to include additional information on the status of tax collection files and the success of its various collection activities
- periodically analyze the characteristics of the corporate taxes outstanding to identify potential changes to legislation, policies and collections strategies
- deal with the backlog of files submitted for write-off and low value accounts

Compliance systems for unfiled corporate income tax returns—October 2015, no. 17, p. 156
We recommend that the Department of Treasury Board and Finance improve its compliance systems to deal with unfiled corporate income tax returns.

ATB Financial

The following recommendation is outstanding and not yet ready for a follow-up audit:

Payment card industry—October 2012, no. 31, p. 149
We recommend that ATB Financial put in place processes to monitor its compliance with the Payment Card Industry's requirements.

Management has identified the following recommendation as implemented—to be confirmed with a follow-up audit:

Service auditor reports—October 2014, no. 26, p. 202 (originally October 2009, p. 227)
We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service provider audit reports
- review service provider audit reports and assess the impact of identified internal control weaknesses
- put end-user controls in place to complement service provider controls

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Auditor General OF ALBERTA

Alberta Infrastructure
Government of Alberta Capital Planning

Audit Report Executive Summary

October 2017

Who

Alberta Infrastructure

What

Performance audit

When

We conducted our field work from June 2015 to April 2017. We substantially completed our audit on June 22, 2017.

Quick Facts

- In its April 2016 capital plan, the Government of Alberta outlined plans to spend $35 billion over the next five years.
- Funding for capital maintenance and renewal, roads and bridges, schools, and health facilities and equipment, makes up over 50% of the capital plan.

Learn More

infrastructure.alberta.ca

Why we did this audit

Planning for capital is essential to any long-term strategic planning process. Governments must have well-designed long-term planning processes so that the capital investments they make today will meet the needs of tomorrow.

The Department of Infrastructure develops, implements and monitors compliance with policies and processes that support the Government of Alberta's capital planning system. Annually, departments give Infrastructure a ranked list of capital projects and programs that they need funded. Infrastructure gives departments' capital planning submissions to government committees. The committees decide how much to spend on capital, as part of the budget process, and which programs and projects to spend it on.

The objective of our audit was to determine whether the Department of Infrastructure has an adequate capital planning system to:

- guide departments in identifying and assessing capital needs
- confirm that departments' capital needs align with their long-term program needs and service delivery plans
- make capital investment recommendations to government committees

What we concluded

Between the March 2015 and April 2016 capital plans, the Department of Infrastructure made improvements to the capital planning system. Infrastructure needs to improve its capital planning processes by updating its guidance to departments, clarifying its phased approach to capital planning and approval, and examining maintenance programs and how those programs are funded.

While several departments have done some long-term program or service delivery planning to support their capital planning submissions, the planning varies in breadth and depth. Without comprehensive long-term plans for strategic program or service delivery, Infrastructure cannot verify that departments' capital needs, which they submit to Infrastructure, align with their long-term program or service delivery plans.

Alberta Infrastructure
Government of Alberta Capital Planning
(continued)

Why this is important to Albertans

The Government of Alberta delivers programs and services to Albertans. Capital, such as health facilities, roads and bridges, and schools, is an important component of program and service delivery. Government committees rely on Infrastructure's capital planning system to make significant capital investment decisions with long-term impacts. They make these decisions in an environment with many competing capital priorities. Infrastructure needs an effective capital planning system so that it can provide the government committees with appropriate, evidence-based information and ensure the committees understand the current and future implications of their capital planning decisions.

What we examined

We examined the Department of Infrastructure's systems for developing the March 2015 capital plan and the April 2016 capital plan.

Our examination included Infrastructure's planning systems and processes to

- confirm that department capital requests align with long-term program needs and service delivery plans
- confirm that department capital planning submissions are supported by appropriate planning
- make capital investment recommendations to government committees
- produce the capital plan
- evaluate maintenance funding programs for government-owned facilities, health facilities, post-secondary institutions and schools

Our audit did not include the government's systems for planning information technology, planning municipal capital programs, determining the overall size of the capital plan, or determining how to fund the capital plan (including public-private partnerships).

We developed our criteria for this audit based on Infrastructure's accountabilities and responsibilities.

What we found

- Capital planning standards are not up to date or sufficient. The capital planning and approval phases are not clear, and Infrastructure does not have adequate systems to verify and report to the Minister Capital Committee whether departments have completed sufficient planning.
- Infrastructure does not obtain adequate information from departments on their maintenance needs and risks, or on the results they aim to achieve with the maintenance funding they request. Therefore, Infrastructure cannot assess if the advice it provides to the Minister Capital Committee on maintenance funding will maintain assets or cause asset condition to deteriorate (or improve).
- The Government of Alberta has not reviewed its four capital maintenance programs for buildings to assess whether they are working as effectively as possible.

What needs to be done

The Department of Infrastructure should

- update its capital planning standards
- clarify the capital planning phases and the planning deliverables required for each phase
- verify if departments have completed the required planning for capital submissions and, if not, report this information to government committees
- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding
- work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well

Consequences of not taking action

Government committees may base decisions for capital projects and programs on incomplete and inaccurate information. The committees may approve funding for projects before project scope, cost and risks are adequately defined and understood, potentially resulting in capital projects that exceed cost or do not meet business needs.

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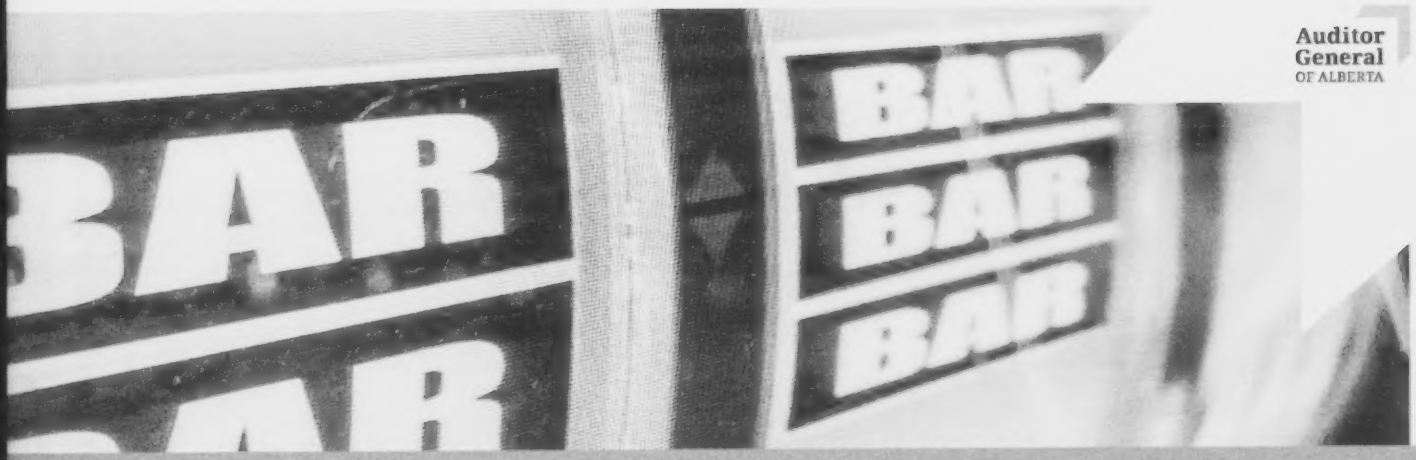

Auditor General OF ALBERTA

Alberta Gaming and Liquor Commission
Vendor Access Control

Audit Report Executive Summary

October 2017

Who

Alberta Gaming and Liquor Commission

What

Performance audit

When

We conducted our field work from December 2016 to February 2017, and substantially completed our audit on June 15, 2017.

Quick Facts

- Gaming in Alberta is regulated by the provincial government
- Over the last 20 years, gaming has raised over $28 billion
- Revenue received from gaming activities is returned to Albertans through licensed charities

Learn More

aglc.ca

Why we did this audit

The Alberta Gaming and Liquor Commission depends heavily on information technology to deliver video lottery, casino and liquor products and services throughout Alberta.

The information technology (IT) used by the AGLC is specialized and has to constantly evolve to stay current in the gaming industry. A cost-effective way to keep pace is to contract out some IT services. As a result, the AGLC uses many external IT vendors that require direct access into its gaming systems and corporate network. It is critical for the AGLC to have effective systems to manage its vendor IT support activities.

In 2016, we audited the AGLC's systems to manage its external IT vendors.

We recommended that the AGLC improve its systems to provide oversight of and monitor its vendors' access to its internal systems.

Because our findings dealt with IT security matters, reporting on detailed audit findings could have further exposed the AGLC's systems. We therefore did not publicly report the results of the audit.

In 2017, we conducted a follow-up audit.

What we concluded

The AGLC has implemented our recommendation by improving its systems to manage external IT vendors' access to its critical gaming and liquor IT systems.

Why this is important to Albertans

A failure with the AGLC's corporate systems from inappropriate use, or a security exposure caused by its external IT vendors, could impact its gaming and liquor business operations and delivery of services to Albertans.

Alberta Gaming and Liquor Commission
Vendor Access Control
(continued)

What we examined

We examined the AGLC's systems to manage its external IT vendors, access to its corporate network and systems. We reviewed vendor oversight processes and network security controls and monitoring capabilities.

We limited our audit scope to the risks associated with vendor access and IT security. We did not assess other aspects of vendor oversight activities such as performance management.

What we found

The AGLC has implemented our recommendation by improving its systems to manage external IT vendors' access to its critical gaming and liquor IT systems.

What needs to be done

We have no further recommendations related to vendor access control at the AGLC.

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Auditor General OF ALBERTA

Alberta Advanced Education
Collaborative Initiatives Among Alberta's Post-secondary Institutions

Audit Report Executive Summary

October 2017

Who

Alberta Advanced Education

What

Follow-up performance audit

When

We conducted our field work from July 2016 to February 2017, and substantially completed our audit on March 17, 2017.

Quick Facts

- Alberta has 21 publicly funded post-secondary institutions
- Alberta's public post-secondary institutions spend about $5.4 billion annually
- Collaboration among the institutions can improve services to students and make the advanced education more efficient, effective and sustainable

Learn More

advancededucation.alberta.ca

Why we did this audit

Alberta has 21 publicly funded post-secondary institutions, such as universities, colleges and technical institutes. In 2002 the government created Campus Alberta–A Policy Framework, designed to formalize and encourage collaborative initiatives among post-secondary institutions.

We performed an audit in 2013 to determine if the Department of Advanced Education and public post-secondary institutions had adequate systems to plan, govern, implement and sustain the collaborative initiatives among Alberta's institutions.

In the original audit, we found institutions executed collaborative initiatives with no ministry strategic or business plan for collaboration. Institutions did not understand what the department expected Campus Alberta to achieve or how to achieve it.

We recommended that the department work with institutions to develop:

- a strategic plan and accountability framework
- processes and guidance to plan, implement and govern collaborative projects

The objective of this follow-up audit was to determine if the department has implemented the two recommendations from our July 2013 report. We selected the Campus Alberta Unified Services program as the collaborative initiative to examine for this follow-up audit.

What we concluded

In this follow-up audit, we concluded that the Department of Advanced Education has not implemented our recommendations to work with institutions to:

- develop and communicate a strategic plan that clearly defines:
  - the minister's expected outcomes for Campus Alberta
  - initiatives required to achieve those outcomes
  - resources and funding needed to carry out the strategic plan
- develop relevant performance measures and targets to assess if the outcomes are being achieved

Alberta Advanced Education
Collaborative Initiatives Among Alberta's Post-secondary Institutions (continued)

- publicly report results and the cost of achieving them
- review and clarify the accountability structures for governing collaborative initiatives
- develop processes and guidance on how to plan, implement and govern collaborative initiatives

Collaboration allows post-secondary institutions to share costs, resources and best practices. Alberta's students are not getting the full benefits of collaboration because the department still has no plan for how institutions should work together.

Why this is important to Albertans

Alberta's 21 public post-secondary institutions spend about $5.4 billion annually. They contribute to the government's priorities of building a knowledge-based economy and improving the social well-being of Albertans. The government wants these institutions to collaborate in an effort to improve services to students and make the advanced education system more efficient, effective and sustainable.

What we examined

We interviewed department management and reviewed documentation to learn how management responded to our recommendations. We also examined the department's processes for overseeing the planning and delivery of the Campus Alberta Unified Services program.

What we found

Develop strategic plan and accountability framework—*recommendation repeated*

The department still does not have a strategic plan or accountability framework for collaboration among post-secondary institutions.

Department management indicates that two current government reviews of post-secondary institutions have delayed implementation of the recommendation. Management is examining post-secondary institution funding allocations and is participating in a government-wide review of agencies, boards and commissions that includes a specific review of post-secondary institutions. Both reviews plan to be finished in fiscal 2017–2018, and management is waiting to see if the results of these reviews impact the department's design of an effective strategic plan and accountability framework for collaborative initiatives.

Develop processes and guidance to plan, implement and govern collaborative projects—*recommendation repeated*

The department has not worked with post-secondary institutions to develop processes and guidance to plan, govern, implement and report on collaborative projects.

What needs to be done

The Department of Advanced Education, working with post-secondary institutions, should:

- develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the costs associated with collaborative initiatives
- review and clarify the accountability structure for governing collaborative initiatives
- develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives

Consequences of not taking action

Without a strategic plan and accountability framework, there is a high risk that the department will not achieve its collaborative initiative goals cost effectively — or at all.

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Alberta Agriculture and Forestry,
Alberta Health Services and Alberta Health

Food Safety

Audit Report Executive Summary

October 2017

Who

Alberta Agriculture and Forestry, Alberta Health Services and Alberta Health

What

Follow-up performance audit

When

We conducted our field work in April and May 2017, and substantially completed our audit on June 22, 2017.

Why we did this audit

Food safety is an important human health concern. Ensuring that the food we eat is safe involves regulation, and oversight, at all stages of food production, preparation and sale. Alberta Health Services (AHS), the Department of Health and the Department of Agriculture and Forestry (Agriculture) share responsibility for food safety in the province.

In our October 2006 public report we made 10 recommendations to improve food safety in Alberta. We followed up and reported on the implementation progress of these recommendations in 2009 and 2013. After the most recent follow-up audit, two of the original 2006 recommendations remained outstanding.

What we concluded

We conclude that AHS, the Department of Health and the Department of Agriculture and Forestry have achieved the outcomes described in the audit objective:

- AHS, Health and Agriculture jointly developed an integrated food safety work plan, and senior management from all three entities now work together to improve provincial food safety policies and program delivery through the Food Safety Modernization Committee.
- Both AHS and Agriculture now publicly report food safety facility inspection results on their websites.
- AHS and Agriculture now have similar practices to each other for inspecting businesses that both process and sell meat.

Why this is important to Albertans

Food safety is essential to good public health. To trust that the food they eat is safe, Albertans need to know that effective food safety systems are in place and working at all stages of food production, from meat processing plants to restaurants. To have this assurance, Albertans also need to know that AHS, the Department of Health and the Department of Agriculture and Forestry are co-operating and working together on food safety.

Food Safety (continued)

Quick Facts

- Under Alberta's Food regulation, restaurant inspections occur prior to the opening of a new facility, and every four to six months thereafter, or more often if non-compliance with the regulation has been identified.
- The Meat Safety Inspection branch at Alberta Agriculture and Forestry is responsible for regulating 115 red meat and poultry abattoirs, 85 mobile butchers and 33 mobile butcher facilities in Alberta.
- Alberta's Agri-Foods Laboratories (AFL) conducts laboratory testing and provides scientific information and advice to inform decision-making and policy decisions about animal health, food safety and public health.

Learn More

agriculture.alberta.ca

albertahealthservices.ca

health.alberta.ca

What we examined

Our audit objective was to determine if AHS, the Department of Health and the Department of Agriculture and Forestry had:

- integrated their strategies to ensure a coordinated and effective approach to food safety
- improved public reporting on food safety in Alberta
- eliminated inconsistencies in how meat processing facilities were inspected

What we found

- In 2014 Agriculture and Health agreed to collaborate to align their food safety activities through the Food Safety Modernization Initiative (FSMI). One outcome from this initiative was the joint development and implementation of an integrated food safety work plan for Alberta. The FSMI committee has the authority to make decisions and provide direction to various working groups to ensure implementation of the work plan and achieve tangible results.
- A tangible result from the work plan is improved food safety reporting. The accountability and working group developed inspection reporting measures for both AHS and Agriculture and Forestry that are now in use and publicly posted to their websites.
- In 2015, Agriculture and Forestry aligned its meat processing facility inspection practices with AHS's.

What needs to be done

We have no further recommendations related to food safety.

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Alberta Energy and Alberta Energy Regulator
IT Security for Industrial Control Systems in Alberta's Oil and Gas Industry

Audit Report Executive Summary

October 2017

Who

Alberta Energy Regulator
Alberta Energy

What

Follow-up performance audit

What

We conducted our field work in June 2017 and substantially completed our audit on June 28, 2017.

Quick Facts

- ICS devices are part of the critical infrastructure used in the oil and gas industry
- ICS helps to ensure oil and gas reaches Albertans, refineries and other markets efficiently, safely and securely

Learn More

aer.ca
energy.alberta.ca

Why we did this audit

Alberta's oil and gas industry relies on critical infrastructure to extract and refine its products and safely deliver those products to provincial, national and international markets. Industrial control systems are a key component of energy operators' efforts to monitor and ensure safe and reliable operations. If these control systems are not secure, they can be misused to cause damage to critical infrastructure (e.g., oil wells, pipelines and refineries), resulting in harm to Albertans and the environment.

In 2015, we performed an audit to evaluate if the government should assess the risks to Alberta from unsecured industrial control systems used in provincially regulated oil and gas infrastructure. We made one recommendation to the Alberta Energy Regulator and the Department of Energy to work together to determine whether a further assessment of threats, risks and impacts to ICS used in provincially regulated oil and gas infrastructure would benefit Alberta.

We conducted a follow-up audit in 2017 and report on the results in our October report.

What we concluded

The AER and the department have implemented our recommendation by conducting an assessment to understand how the oil and gas industry was managing its ICS security risk and the controls that the operators have implemented to secure their ICS.

Why this is important to Albertans

Unsecured ICS could lead to disruption to Alberta's provincially regulated oil and gas infrastructure, causing harm to Albertans and the environment. The AER and the department should understand the risks and impact to Albertans from unsecured ICS.

What we examined

We examined the approach of the Alberta Energy Regulator and the department for assessing IT security risks to ICS in Alberta's oil and gas industry. We did not verify the operational effectiveness of the security controls identified from the ICS risk assessment.

IT Security for Industrial Control Systems in Alberta's Oil and Gas Industry

(continued)

What we found

The AER and the department worked together and determined that an IT security assessment of ICS used in the oil and gas industry would benefit Alberta. They commissioned an independent consultant to conduct an ICS security assessment across a sample of Alberta oil and gas operators. The purpose of the assessment was to gain an understanding of existing ICS-related risks and what controls the operators have implemented to mitigate those risks. The assessment identified residual risks based on the identified controls and made observations to improve ICS security for the operators. The results were shared with industry associations to improve their awareness of ICS security.

The AER and the department also conducted a workshop to analyze the results of the risk assessment. They are currently working together to determine whether they need to take further action in response to assessed ICS security risks for Alberta's oil and gas industry. Through our ongoing interactions with both the AER and department, we will keep apprised of further developments in this area. Based on the work completed by both organizations to date, we are concluding that the recommendation has been implemented.

What needs to be done

We have no further recommendations related to ICS for the AER and the department.

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Alberta Health and Alberta Health Services
Infection Prevention and Control

Audit Report Executive Summary

October 2017

Who

Alberta Health
Alberta Health Services

What

Follow-up performance audit

When

We conducted our field work in September to December 2016, and substantially completed our audit on June 23, 2017.

Quick Facts

- The most important ways to prevent the spread of infections are to clean your hands and cover your mouth and nose when coughing or sneezing.
- The Government of Alberta developed and implemented a 10-year Infection Prevention and Control (IPC) Strategy.
- The goal of government's IPC strategy is to protect the health of Albertans by preventing the spread of infection, and to assure Albertans of the quality of infection and control by strengthening accountability.

Learn More

health.alberta.ca

albertahealthservices.ca

Why we did this audit

Infection prevention and control (IPC) is critical for managing the threat of infections acquired in hospitals. The continual increase in micro-organisms resistant to antibiotic medications is a major threat to the health of Albertans. However, effective infection prevention and control strategies and judicious use of antibiotics may help slow the development of new forms of antibiotic-resistant organisms and may even help control the spread of infections. Practices such as proper handwashing and cleaning of medical devices appear simple, yet they are highly effective for preventing the spread of infections.

The Department of Health has overall oversight of IPC, while AHS is responsible for developing and implementing appropriate processes and systems to manage the risk of infections in hospitals.

In 2013 we made recommendations on the following:

- oversight of IPC (department)
- cleaning, disinfecting and sterilizing medical devices (AHS)
- prevention and control of antibiotic-resistant organisms (AHS)
- hand hygiene practices (AHS)

What we concluded

Both the department and AHS have made significant progress in infection prevention and control by implementing our recommendations. We saw meaningful improvement in key areas.

The department has strengthened its process to oversee implementation of the Infection Prevention and Control Strategy, including better engagement of AHS and professional regulatory bodies.

AHS has strengthened its oversight of hand hygiene practices at hospitals, as well as hospital activities related to cleaning, disinfecting and sterilizing medical devices. AHS has also strengthened its systems for managing risk associated with antibiotic-resistant organisms in hospitals.

Why this is important to Albertans

Proper hand hygiene and cleaning of medical devices are vital for protecting patients and healthcare workers. Timely screening and treatment of patients with antibiotic-resistant organisms is key for containing the spread of these micro-organisms. Judicious use of antibiotics is critical for preventing microbes from developing resistance to these medications.

What we examined

In performing the audit we completed the following:

- interviews with management and frontline healthcare workers
- a review of applicable internal and publicly available documentation, data and reports
- visits to a sample of AHS hospitals to perform follow-up audit procedures, which included observation, interviews, examination of IPC documentation, and a review of samples of clinical records

What we found

Oversight and accountability for infection prevention and control
The department has implemented this recommendation by documenting responsibilities for itself and each of its partners under the IPC strategy. The department also developed a monitoring process to check compliance with the strategy and has begun publicly reporting on the status of the strategy.

Hand hygiene practices
AHS has implemented this recommendation by establishing oversight of hand hygiene results at the provincial, zone and hospital levels.

Cleaning, disinfection and sterilization of medical devices
AHS has implemented this recommendation by developing oversight of MDR results at the provincial and zone levels.

Prevention and control of antibiotic-resistant organisms
AHS has implemented this recommendation by developing an evidence-informed approach for identifying and managing patients with AROs, standardizing processes for cleaning shared patient equipment, and launching a formal antibiotic stewardship program in hospitals.

What needs to be done

We have no further recommendations related to infection prevention and control in Alberta hospitals.

Read the full report at:

oag.ab.ca

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Alberta Health Services
Non-hospital Contracted Surgical Services

Audit Report Executive Summary

October 2017

Who

Alberta Health Services

What

Follow-up performance audit

When

We conducted our field work from March to May 2017.

Quick Facts

- Alberta Health Services (AHS) has legislated responsibility for the planning and delivery of health services in the Province of Alberta.
- Under this legislation, AHS can either provide services directly or contract with service providers who meet AHS requirements.
- Non-hospital surgical contracted services include ophthalmology; dermatology; pregnancy termination; plastic surgery; ear, nose and throat surgery; and oral and maxillofacial surgery

Learn More

albertahealthservices.ca

Why we did this audit

Surgical services in Alberta can be provided at public hospitals or non-hospital surgical facilities. Most surgical procedures, including all major surgeries, are performed at hospitals, where specialized resources and equipment are available for complex procedures and managing serious complications. However, some other operations may be contracted to non-hospital surgical facilities.

Since the initial audit in 2001, we have completed several follow-up audits. Most recently, in 2014, we have repeated our recommendation that Alberta Health Services strengthen its process to monitor the performance of contracted non-hospital surgical facilities.

What we concluded

We conclude that Alberta Health Services has implemented our recommendation by establishing an oversight process to monitor the performance of contracted non-hospital surgical facilities and improving its processes to record and analyze performance information for these surgical facilities.

Why this is important to Albertans

Maintaining safety and achieving appropriate surgical outcomes are imperative, whether the surgery occurs in a hospital or in a contracted facility. AHS is legislatively responsible for ensuring that all of Alberta's surgical services, including those delivered in contracted facilities, meet AHS requirements. Accordingly, AHS must have systems that monitor and manage surgical performance and patient outcomes in contracted non-hospital surgical facilities.

Alberta Health Services
Non-hospital Contracted Surgical Services
(continued)

What we examined

To perform this audit we examined:

- changes in the AHS committee structure and terms of reference involving the non-hospital surgical facilities program, including meeting agendas, information provided to the committee, and meeting minutes
- contracts with non-hospital surgical facilities, annual report submissions to AHS, and summary reports provided by the AHS oversight committees

We conducted interviews with staff involved with the non-hospital surgical facilities program at AHS, the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College. We conducted interviews with medical directors and executive management representatives from four contracted surgical facilities. We also interviewed Department of Health representatives.

We did not examine processes or procedures at contracted surgical facilities, the College of Physician and Surgeons of Alberta or the Alberta Dental Association and College.

What we found

Alberta Health Services has:

- established a multidisciplinary provincial oversight committee whose mandate includes reviewing annual reports from non-hospital surgical facilities, and related analysis, to ensure the facilities are meeting appropriate outcomes
- developed an online incident reporting system for use by contracted surgical facilities, improving the timeliness and consistency of incident information collected
- improved the timeliness of its follow-up on incidents reported by contracted facilities
- enhanced the quality of the performance analysis completed by AHS's contract management group for internal use and reporting to the provincial oversight committee
- begun sharing its performance information on surgical facilities and comparing it with similar data obtained by the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College
- improved dialogue with the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College, which has resulted in discussions about joint inspections of contracted surgical facilities' infection prevention and control procedures

What needs to be done

We have no further recommendations related to non-hospital contracted surgical services in Alberta.

Read the full report at:

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Alberta Health
Primary Care Networks

Audit Report Executive Summary

October 2017

Who

Alberta Health
Alberta Health Services

What

Follow-up performance audit

When

We conducted our field work between December 2016 and May 2017, and substantially completed our audit on June 30, 2017

Quick Facts

- As of April 2017, there were 42 PCNs operating across the province.
- Alberta Health has paid over $1.5 billion in funding to PCNs since the program began in 2005.
- PCNs have approximately 3,800 family physician members, and employ over 1,400 full-time-equivalent non-physician healthcare providers to deliver primary care services to 3.6 million Albertans.

Learn More

health.alberta.ca

albertahealthservices.ca

Why we did this audit

The Primary Care Network (PCN) program is a key initiative funded by the Department of Health. The department launched the PCN program in 2005. PCNs comprise groups of family physicians working with other healthcare professionals such as nurses, nurse practitioners, dietitians, pharmacists, social workers and mental health professionals. By April 2017, there were 42 PCNs operating across the province. PCNs have approximately 3,800 family physician members, and employ over 1,400 full-time-equivalent non-physician healthcare providers to deliver primary care services to 3.6 million Albertans. The department expects to pay PCNs a total of $240 million in 2017–2018 and has provided over $1.5 billion in direct funding to PCNs since the program began.

The objective of our follow-up audit was to determine whether the department and AHS have implemented our previous recommendations on the PCN program.

What we concluded

In our opinion, the department, AHS and PCNs, collectively, have taken sufficient action for us to conclude that, as of June 30, 2017, the department had implemented our four recommendations to improve its systems to manage the PCN program, and AHS had implemented our recommendation to improve its systems to measure and report the effectiveness of its partnership in PCNs.

However, the healthcare sector's understanding and awareness of how PCNs, and primary care in general, should evolve has also progressed considerably since 2012. The department, AHS and physicians recognize that more work is needed to fulfill the objectives of the PCN program. To help the department and PCNs continue to advance the program in a structured and timely manner, we are providing two new recommendations.

Why this is important to Albertans

Effective primary care is the foundation of a high-performing healthcare system. It is critical for preventing acute illness and effectively and efficiently managing chronic disease. Effective primary care can improve health outcomes and reduce the demand on more expensive services such as hospitals, emergency departments and long term-care facilities.

Alberta Health
Primary Care Networks
(continued)

PCNs have increasingly demonstrated their potential to drive improvement in primary care and the healthcare system as a whole. The significance of the PCN program to the healthcare system underscores the importance of setting clear objectives and performance measures for the program, and reporting on results achieved.

What we examined

Our examination included interviews with management and staff members of the department, AHS, and the Health Quality Council of Alberta. We reviewed the business plans and annual reports of all 42 PCNs for the 2015–2016 fiscal year, and information from various other sources for 2016–2017 as indicated in our report. We also analyzed data on physician claims and PCN funding allocations for the 2015–2016 year.

What we found

PCN program evaluation

- The Department of Health had implemented our four previous recommendations. To help the department and PCNs continue to advance the program in a structured and timely manner, we are providing two new recommendations.
- Some individual physicians and PCNs have made significant progress in measuring their performance, but these advancements are not consistent across the province.
- The department has established key performance measures for PCNs, but results reported by PCNs in 2015–2016 show wide variation in physician participation monitoring and reporting these measures.
- The department has not set measurable targets for each PCN performance measure, and does not report publicly on the extent to which PCN program objectives are being achieved.

Informing Albertans about their PCN

- The department has set formal patient attachment as a PCN program objective, and has provided guidance to PCN physicians to help them establish their patient panels.
- More than half of PCN physicians have established their patient panels or are actively working to do so.
- Some PCNs and PCN physicians inform their patients about PCN services and engage patients as partners in their own care, but these practices are not strong across all PCNs.

What needs to be done

PCN program evaluation

We recognize that the department, physicians and PCNs have significantly advanced performance measurement at their respective levels. However, we have also concluded that significant work is needed to build on the accomplishments to date.

We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets, and develop a formal action plan for public reporting of PCN program performance.

Informing Albertans about their PCN

We recognize that the department has made substantial efforts to support PCNs in the formal patient attachment process. We also recognize that many individual physicians are engaging their patients through formal attachment, and PCNs are using various means to promote public awareness of their services. However, we have also concluded that much work is needed to build on the accomplishments to date.

We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to require PCN physicians to complete the established patient attachment process and set appropriate timelines for completing this process, and agree on the best approaches for engaging Albertans as active participants in their own care and explaining the PCN services available to help them achieve their health goals.

Consequences of not taking action

Without adequate systems to measure performance, the department cannot evaluate the results of the PCN program to make informed decisions on what is working well in the program and what needs to improved. The department will also lack the information needed to report to Albertans on the results achieved for the significant public investment in the program.

Read the full report at:

oag.ab.ca

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Alberta Treasury Board and Finance
CEO Selection, Evaluation and Compensation, and Executive Compensation

Audit Report Executive Summary

October 2017

Who

Alberta Treasury Board and Finance

What

Follow-up performance audit

Learn More

finance.alberta.ca

Why we did this audit

The Alberta government delivers vital programs and services to Albertans through provincial agencies. These entities are managed by senior executives who provide guidance and make decisions on the delivery of these programs and services.

In 2008, we audited the systems that agencies use to select, evaluate and compensate chief executive officers. Further, an audit we reported in 2009 looked at agencies' compensation not only of chief executive officers but of other senior executives as well.

In those audits we found that:

- government needed to provide guidance to agencies on policies and practices for CEO selection, evaluation and compensation, and executive compensation
- government did not obtain and evaluate information on CEO selection, evaluation and compensation systems to support ministers in holding boards accountable for their decisions
- agencies' compensation disclosures were incomplete or inconsistent

We made our 2008 and 2009 recommendations in an environment where agency boards were responsible for executive compensation decisions. In that environment, we believed the government needed to establish reasonable and consistent approaches for boards to follow when making executive compensation decisions, and check that those approaches were being followed.

We also recommended that government consider whether agencies should prepare compensation discussion and analysis so that those boards with responsibility for executive compensation decisions could explain their decisions publicly.

Alberta Treasury Board and Finance
CEO Selection, Evaluation and Compensation, and Executive Compensation
(continued)

What we concluded

In light of the new legislation, regulation and centralized approach, our 2008 and 2009 recommendations are no longer applicable. We made them in an environment where agency boards had primary responsibility for executive compensation decisions, but the new approach shifts significant responsibility to the government. We are therefore withdrawing the recommendations.

In withdrawing our recommendations, we are not concluding on the adequacy of the government's current systems on executive compensation. To form a conclusion on the current systems, we would need to perform a new audit. When planning future audits, we will consider whether such an audit could provide value.

What has changed

In 2016, the Reform of Agencies, Boards and Commissions Compensation Act was proclaimed. This new legislation enables the government to develop regulations for setting compensation frameworks, including salary ranges and benefits for agency executives and board members. The first compensation regulation under this act became effective on March 16, 2017 and includes a centralized approach to determining compensation with:

- constraints on base salaries of CEOs
- elimination of variable pay for executives
- caps on termination benefits
- other constraints on benefits

What needs to be done

We have no further recommendations on this matter for the Department of Treasury Board and Finance.

Read the full report at:

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Performance Auditing

October 2017

Auditor General
OF ALBERTA

Vision

Making a difference in the lives of Albertans

Mission

Identifying opportunities to improve the performance of and confidence in the public service

Values

We are committed to our mission and to achieving our vision. Our values guide us in our internal and external relationships:

Trust
We earn it with everything we say and do. We are accountable for our actions.

Respect
Everyone has the right to be heard and deserves to be treated with dignity and courtesy.

Diversity of thought
We encourage open minds, innovative thinking and constructive challenge.

Teamwork
With integrity, we work together to generate better solutions.

Growth
We view individual success as professional growth together with a fulfilling personal life. We value both.

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Summary of Recommendations

We conducted our audits in accordance with the *Auditor General Act* and the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

This report contains five new and two repeated recommendations to government. The repeated recommendations have been made because we do not believe there has been sufficient action taken to implement our previous recommendations. We also confirm in this report that 12 prior recommendations have been implemented and eight are considered implemented due to changed circumstances.

As part of the audit process, we provide recommendations to government in documents called management letters. We use public reporting to bring recommendations to the attention of Members of the Legislative Assembly. For example, members of the all-party Standing Committee on Public Accounts refer to the recommendations in our public reports during their meetings with representatives of government departments and agencies.

The auditor general is the auditor of every ministry, department and regulated fund, and most provincial agencies. Under the *Government Organization Act*, ministers are responsible for administering departments and provincial legislation. Deputy ministers are delegated responsibility to support the minister in his or her role, and to act as the chief operator of a department. Ministers may also establish any boards, committees or councils they consider necessary to act in an advisory or administrative capacity for any matters under the minister's administration. A minister is responsible for oversight of the work and actions of the department and any provincial agencies under his or her administration. However, we make our recommendations to departments and provincial agencies rather than to the minister directly, given the delegated operational responsibilities and that they are in the best position to respond to and implement our recommendations. With respect to recommendations related to ministerial oversight of a provincial agency, we generally make the recommendation to the department supporting and providing advice to the minister.

We believe all of the recommendations in this report require a formal public response from the government. In instances where a recommendation has been made to a board-governed organization, we expect the organization to implement the recommendation and report back to its respective government ministry as part of proper oversight of the organization. By implementing our recommendations, the government will significantly improve the safety and welfare of Albertans, the security and use of the province's resources, or the oversight and ethics with which government operations are managed.

Reporting the Status of Recommendations

We follow up on all recommendations. The timing of our follow-up audits depends on the nature of our recommendations. To encourage timely implementation and assist with the planning of our follow-up audits, we require a reasonable implementation timeline on all recommendations accepted by the government or the entities we audit that report to the government. We recognize some recommendations will take longer to fully implement than others, but we encourage full implementation within three years. Typically, we do not report on the progress of an outstanding recommendation until management has had sufficient time to implement the recommendation and we have completed our follow-up audit work.

We repeat a recommendation if we find that the implementation progress has been insufficient.

We report the status of our recommendations as:

- **Implemented**—We explain how the government implemented the recommendation.
- **Repeated**—We explain why we are repeating the recommendation and what the government must still do to implement it.

On occasion, we may make the following comments:

- **Satisfactory progress**—We may state that progress is satisfactory based on the results of a follow-up audit.
- **Progress report**—Although the recommendation is not fully implemented, we provide information when we consider it useful for MLAs to understand management's actions.

Performance Auditing—New Audits

Infrastructure—Government of Alberta Capital Planning

Page 20

RECOMMENDATION: Improve capital planning standards and phased approach to capital planning and approval

We recommend that the Department of Infrastructure improve its capital planning system by:

- updating its capital planning standards
- clarifying the capital planning phases and the planning deliverables required for each phase
- verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees

Consequences of not taking action

Government committees may base decisions for capital projects and programs on incomplete and inaccurate information. The committees may approve funding for projects before the project scope, cost and risks are adequately defined and understood, potentially resulting in capital projects that exceed cost or do not meet business needs.

Page 23

RECOMMENDATION: Improve maintenance planning systems

We recommend that the Department of Infrastructure:

- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding

Consequences of not taking action
Government committees will not have adequate information on departments' maintenance needs, risks or results expected when making maintenance funding decisions. This lack of adequate information could cause poor service delivery, unnecessarily high operating and maintenance costs, and unnecessary risks to Albertans' health and safety.

Page 26

RECOMMENDATION: Evaluate capital maintenance programs for buildings

We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.

Consequences of not taking action
If a comprehensive review of the four similar programs is not completed, there will be no opportunity to benefit from the learnings, insights and efficiencies such a review would provide.

Performance Auditing—Follow-up Audits

Advanced Education—Collaborative Initiatives Among Post-secondary Institutions

Page 37

RECOMMENDATION: Develop strategic plan and accountability framework —recommendation repeated

We again recommend that the Department of Advanced Education, working with institutions:

- develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the costs associated with collaborative initiatives
- review and clarify the accountability structure for governing collaborative initiatives

Consequences of not taking action
Without a strategic plan and accountability framework, there is a high risk that the department will not achieve its collaborative initiative goals cost-effectively—or at all.

Page 40

RECOMMENDATION: Develop processes and guidance to plan, implement and govern collaborative projects—recommendation repeated

We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.

Consequences of not taking action
Ineffective project management systems increase the risk that the department and institutions will not complete collaborative initiatives on time, on scope, within budget and with desired results.

Health—Primary Care Networks

Page 79

RECOMMENDATION: Evaluate PCN effectiveness

We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to:

- agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets
- develop a formal action plan for public reporting of PCN program performance

Consequences of not taking action
Without adequate systems to measure performance, the department cannot evaluate the results of the PCN program to make informed decisions on what is working well in the program and what needs to improve. The department will also lack the information needed to report to Albertans on the results achieved for the significant public investment in this program.

Page 84

RECOMMENDATION: Informing Albertans about PCN services

We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to:

- require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process
- agree on the best approaches for engaging Albertans as active participants in their own care and explaining the PCN services available to help them achieve their health goals

Consequences of not taking action

If patients are not engaged to understand who their family physician is, what services are available through their patient medical home and their PCN, and how they can access those services, there is significant risk that key benefits of the PCN program will not be fully realized. As one PCN told us, "patients themselves are the largest untapped resource in primary care."

Alberta Infrastructure
Government of Alberta
Capital Planning

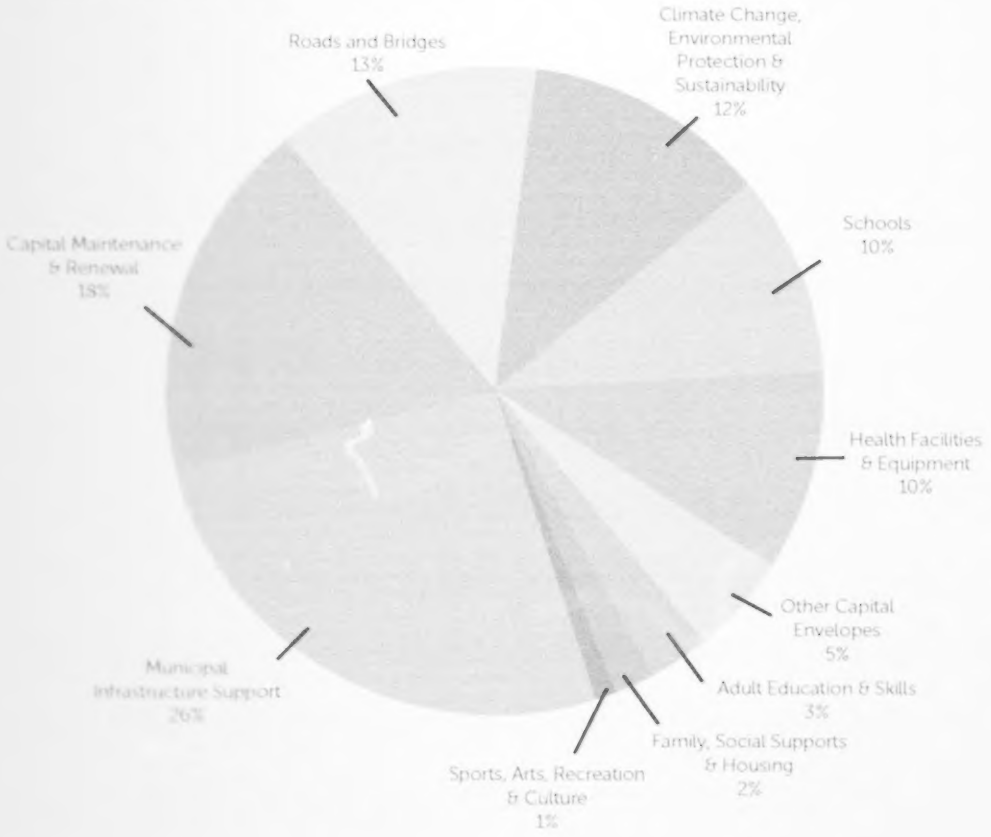
October 2017

Introduction

Alberta's spending on capital (buildings, roads, schools, hospitals, etc.)
The Department of Infrastructure leads the government of Alberta's capital planning process. It coordinates the capital requests from all government departments and related organizations. In the capital planning process, the majority of the key decisions such as the overall size of the capital plan and what's included in the capital plan, are made by government committees that consist of elected officials. Infrastructure's role is to provide advice and analysis to the committees as they make their decisions.

In the April 2016 capital plan,[1] the Government of Alberta outlined a $35-billion, five-year capital plan designed to stimulate the economy, keep people working and reduce the province's infrastructure deficit. It plans to spend the $35 billion in the following areas over the next five years.

Budget 2016 Capital Plan

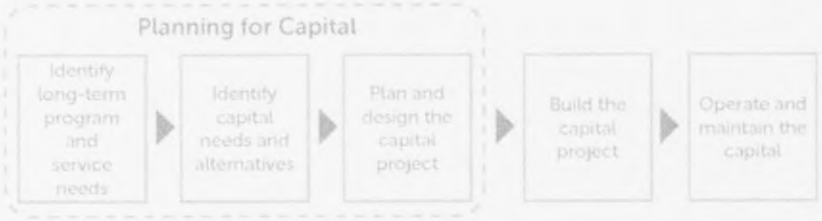


1 Budget 2016: Fiscal Plan 2016–2019, released April 14, 2016.

What is planning for capital?

Planning for capital is a process involving the following steps:

- identify long-term program and service needs
- identify capital needs (and alternatives[2]) to meet the program and service needs
- plan and design the capital project



Planning for capital is essential to any long-term strategic planning process.

Planning for capital is essential to any long-term strategic planning process. Governments must have well-designed long-term planning processes so that the capital investments they make today will meet the needs of tomorrow. Capital is long term by nature. For example, a building may take several years to plan, design and construct, and have a useful life of over 40 years. Capital planning is not a discrete activity. It involves many integrated phases and depends on long-term planning for program and service needs.

As the government identifies a capital need and analyzes alternatives, a capital project may evolve. Capital projects move through several planning and design phases that refine project scope, schedule and cost.

The Summary of the Planning-for-Capital System section below has more information on what an effective capital planning system is.

Who plans for capital?

Many parties are involved in planning for capital.

The Department of Infrastructure guides departments—The Department of Infrastructure develops, implements and monitors compliance with policies and processes that support the Government of Alberta's capital planning system. The system is complex because it requires coordinating every department and other government organizations, such as Alberta Health Services, post-secondary institutions, school jurisdictions and other boards and agencies. Infrastructure guides departments on the requirements of the annual capital submission.

Departments determine needs—They coordinate with other government organizations, such as Alberta Health Services. Departments and other government organizations should:

- determine long-term program needs
- identify long-term capital needs and alternatives to meet those program needs
- plan and design capital projects to meet their program needs

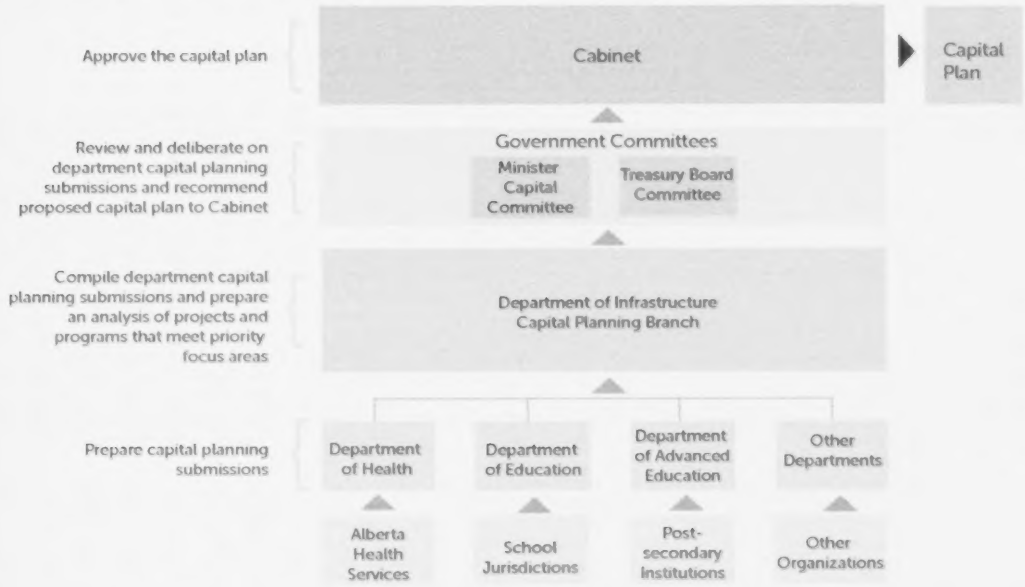
Departments are also responsible for monitoring their compliance with policies and processes that support the Government of Alberta's capital planning system.

2 To meet a capital need there may be several alternatives. Examples include building a new facility, repurposing an existing facility or leasing a facility.

Annually, departments give Infrastructure a ranked list of capital projects and programs that they need funded. Capital projects have a defined scope, schedule and cost, while capital programs don't. Instead, departments request funding and then, for the majority of capital programs, decide what capital projects to fund.

Infrastructure compiles department submissions—Infrastructure gives departments' capital planning submissions to government committees. Several government committees are involved, including the Minister Capital Committee, the Treasury Board Committee and Cabinet. The committees decide how much to spend on capital, as part of the budget process, and which programs and projects to spend it on. Departments are responsible for spending on the capital programs and projects.

Key participants involved in the annual capital planning submission



Audit Objective and Scope

The objective of our audit was to determine whether the Department of Infrastructure has an adequate capital planning system to:

- guide departments in identifying and assessing capital needs
- confirm that departments' capital needs align with their long-term program needs and service delivery plans
- make capital investment recommendations to government committees

We examined the Department of Infrastructure's systems for developing the March 2015 capital plan[3] and the April 2016 capital plan.[4] Although the government released the March 2015 capital plan as part of the March 2015 budget, Members of the Legislative Assembly did not vote on an appropriation bill because of the May 2015 election and subsequent change in government. The new government released its budget (including the capital budget) in October 2015.[5]

3 Budget 2015, Fiscal Plan 2015–2020, released March 26, 2015.
4 Budget 2016, Fiscal Plan 2016–2019, released April 14, 2016.
5 Budget 2015, Fiscal Plan 2015–2018, released October 27, 2015.

Our examination included Infrastructure's planning systems and processes to:

- confirm that department capital requests align with long-term program needs and service delivery plans
- confirm that department capital planning submissions are supported by appropriate planning
- make capital investment recommendations to government committees
- produce the capital plan
- evaluate maintenance funding programs for government-owned facilities, health facilities, post-secondary institutions and schools

Our audit did not include the government's systems for planning information technology, planning municipal capital programs, determining the overall size of the capital plan, or determining how to fund the capital plan (including public-private partnerships).

We developed our criteria for this audit based on Infrastructure's accountabilities and responsibilities.

Our work was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

In 2007,[6] we reported on Alberta's capital planning system to assess and prioritize infrastructure needs. We made five recommendations. In 2010,[7] we followed up on these recommendations and reported that one of the five recommendations had been implemented. In September 2016, Infrastructure told us that it had not implemented the remaining four recommendations. The outstanding recommendations from 2010 are:

- **reduce deferred maintenance**—develop a plan to reduce deferred maintenance and include information in the province's capital plan
- **maintain assets**—establish a process that enables public infrastructure assets to be properly maintained over their life
- **evaluate infrastructure projects**—improve the process to evaluate proposed capital projects that departments submit
- **improve information for Treasury Board**—examine how the current information provided to Treasury Board can be improved

We did not complete a follow-up audit on these outstanding recommendations. Because the original audit was nearly 10 years ago, the recommendations are not implemented, and the capital planning system has changed, we can achieve more by making new recommendations to move Infrastructure's capital planning system forward.

What We Examined

We:

- reviewed Infrastructure's capital planning policies and processes and the 2015 and 2016 capital plans published annually as part of the government's fiscal plan
- examined a sample of departments' systems to assess, identify and plan for long-term programs and services
- tested a sample of capital projects and programs that departments submitted for the March 2015 and April 2016 capital plans
- examined the capital information submitted to government committees and documentation of their decisions
- reviewed the maintenance funding programs for government-owned facilities, health facilities, post-secondary institutions and schools

6 *Report of the Auditor General of Alberta—October 2007*, Vol. 1, p. 29-61.
7 *Report of the Auditor General of Alberta—October 2010*, p. 85-100.

We conducted our field work from June 2015 to April 2017. We substantially completed our audit on June 22, 2017.

Conclusion

Between the March 2015 and April 2016 capital plans, the Department of Infrastructure made improvements to the capital planning system. For the April 2016 capital plan, Infrastructure improved the capital planning system by:

- developing priority focus areas for capital—Infrastructure also provided the Minister Capital Committee with an analysis of capital project and program requests that aligned with the priority focus areas
- developing common criteria for all departments—departments had to say if a project or program met the criteria and explain how
- providing government committees with more information on capital project and program requests

Infrastructure needs to improve its capital planning processes by updating its guidance to departments, clarifying its phased approach to capital planning and approval, and examining maintenance programs and how those programs are funded.

During our audit we identified that, while several departments have done some long-term program or service delivery planning to support their capital planning submissions, the planning varies in breadth and depth. Without comprehensive long-term plans for strategic program or service delivery, Infrastructure cannot verify that departments' capital needs, which they submit to Infrastructure, align with their long-term program or service delivery plans.

We have directed our recommendations to the Department of Infrastructure as it leads the capital planning process within the Government of Alberta. However, improving the capital planning system will require the active participation of all departments.

The Department of Infrastructure must have effective capital planning systems so that the infrastructure it builds today will meet government's long-term program and service delivery needs.

Why This Conclusion Matters to Albertans

The Government of Alberta delivers programs and services to Albertans. Capital, such as health facilities, roads and bridges, and schools, is an important component of program and service delivery. The Department of Infrastructure must have effective capital planning systems so that the infrastructure it builds today will meet government's long-term program and service delivery needs.

Government committees rely on Infrastructure's capital planning system to make significant capital investment decisions with long-term impacts. They make these decisions in an environment with many competing capital priorities. Infrastructure needs an effective capital planning system so that it can provide the government committees with appropriate, evidence-based information and ensure the committees understand the current and future implications of their capital planning decisions.

Summary of the planning-for-capital system

What Albertans should expect	What Infrastructure's capital planning system has	Assessment
Departments estimate long-term capital needs based on their plan for long-term programs and services.	Generally, departments submit capital requests to Infrastructure without any reference to a long-term strategic program or service delivery plan. Several departments we sampled had completed some long-term program or service delivery planning to support their capital planning submissions, but long-term planning varies in breadth and depth.	
The capital planning system includes standards that stakeholders follow.	The capital planning manual is only a guideline and is outdated. Infrastructure documented the April 2016 capital planning process and provided departments with submission templates. The process and templates do not form a comprehensive set of capital planning standards.	
A phased approach to capital planning and approval is used.	In the April 2016 capital plan, Cabinet approved unallocated funding for some funding envelopes and planning funds—a good first step in supporting a phased approach. Infrastructure needs to further clarify its phased planning approach.	
Infrastructure gives government committees ranked capital planning requests.	For the April 2016 capital plan, the Minister Capital Committee received a lot of information, including each department's prioritized capital list, an analysis of the projects and programs that aligned with the priority focus areas, an analysis of requests by funding envelope and a summary of each project or program.	
Infrastructure obtains information from departments on their maintenance needs and risks.	Departments provide their maintenance funding requests to Infrastructure as part of the annual capital planning process. But Infrastructure does not obtain sufficient information from departments on their maintenance needs or risks or the maintenance results they aim to achieve.	
The Government of Alberta periodically evaluates capital maintenance funding programs for buildings (government-owned facilities, health facilities, post-secondary institutions and schools).	Departments have completed elements of a program review, but the reviews occur in silos. Because the four building maintenance programs all have similar objectives, the government could benefit from a centralized review of these programs to assess similarities and differences, apply lessons from one program to others, and assess if these capital maintenance programs are working as effectively as possible.	

Long-term planning varies in breadth and depth.

Legend
- Significant improvement required
- Improvement required, but not to the same extent as a red
- No significant weaknesses identified

Findings and Recommendations

Improve capital planning standards and phased approach to capital planning and approval

Context

Because of the number of organizations involved, standards are critical for capital planning in government. Infrastructure's capital planning system coordinates large, complex systems across every department and other government organizations, such as Alberta Health Services, post-secondary institutions and school jurisdictions. Departments need standards to ensure their capital planning systems (and the organizations they oversee) align with Infrastructure's and meet future needs.

Standards are critical for capital planning in government.

A *phased* process is one that separates the capital planning and approval process into phases. This is common practice in industry and government. Critical decisions are made at critical phases, including assessing whether a project should proceed, change or stop. Each phase has project deliverables that must be completed. Examples of planning deliverables include a needs assessment, a business case, a schematic design, detailed drawings, and regulatory and environmental approvals. The process has controls to ensure the planning deliverables are completed and decision-makers use criteria to evaluate the deliverables and decide if a project can proceed to the next phase. There can be several planning phases.

Infrastructure's capital planning manual includes a phased approach to capital planning and approval, with four project phases:

- project assessment
- project development
- detailed design and contract documents
- tender and construction

The manual describes the process as a funnel, with its widest point being the 10-year plan. This plan provides a general outlook on the driving socio-economic conditions, and identifies needs and solutions based on these conditions. The 10-year plan leads to more specific planning on key needs, funnelling into a priority-focused, five-year plan that identifies projects for more detailed planning and costing. Projects are further examined and funnelled into a three-year plan. Then, the remaining projects are approved for implementation and proceed to detailed design. The manual also identifies planning deliverables for each phase. The manual outlines that a committee of deputy ministers reviews the five-year capital requirements and identifies projects to proceed to development in the next year. The deputy minister committee then makes recommendations to the Treasury Board Committee. The deputy minister committee also recommends projects to proceed to the detailed design phase in the three-year plan.

Criteria: the standards of performance and control

The Department of Infrastructure should:

- have adequate capital planning standards
- use a phased approach to capital planning and approval
- ensure departments complete the appropriate planning deliverables, based on the planning phase

Our audit findings

Key Findings

- Capital planning standards are not up to date or sufficient.
- The capital planning and approval phases are not clear, and Infrastructure does not have adequate systems to verify and report to the Minister Capital Committee if departments have completed sufficient planning.

Capital planning standards

Capital planning manual—The capital planning manual used by Infrastructure is a guide on all capital planning matters in the Government of Alberta. It helps departments and government committees develop infrastructure strategies and projects consistent with provincial capital planning and budgeting processes.

The manual is outdated: it does not resemble the system used to develop the March 2015 or April 2016 capital plans. It's not clear which standards are still relevant and which aren't. Lastly, the manual is only a guide. It isn't clear which parts of the manual are mandatory and which are discretionary.

For the April 2016 capital plan, Infrastructure presented the capital planning process to Cabinet and deputy ministers. The process outlined the steps to complete the capital plan, who was responsible for each step, timelines, priority focus areas, department criteria and funding envelopes. Infrastructure also gave departments high-level instructions, including timelines and capital planning submission templates. The process and templates do not form a comprehensive set of capital planning standards and requirements.

Capital planning standards for mid-year approvals—Although there is an annual capital planning submission process, departments may submit new capital projects and programs to the Treasury Board Committee for approval any time of the year. Infrastructure has not defined standards for submissions outside of the annual capital planning submission process. Ministers submit these capital projects and programs in a letter to the Minister of Treasury Board. They do not have to complete the capital planning submission templates, nor do they have to provide this information to Infrastructure. In a sample of new capital projects and programs in the March 2015 capital plan, the committee approved most of them outside of the annual capital planning process. For example:

- Alberta Health Services identifies and ranks capital needs across the province and gives the Department of Health a list of priority capital needs. The Department of Health reviews the priority needs and submits capital funding requests to Infrastructure or the committee. Alberta Health Services, the Department of Health, and Infrastructure also have a Health Facilities Capital Program Manual that includes a structured planning process with defined deliverables and approvals for health capital projects.

In 2014, the committee approved a $20-million health project that was not on AHS's priority capital needs list. The project didn't follow the planning processes or approvals outlined in the Health Facilities Capital Program Manual. Instead, an organization wrote to the Minister of Health requesting that the minister consider the replacement of its health facility an urgent priority. The minister told the organization that AHS was responsible for identifying priority capital needs and they needed to work with AHS. Shortly after the minister sent this letter to the organization, the committee approved the request.

Phased approach to capital planning and approval

April 2016 approach—Neither the March 2015 nor the April 2016 capital planning processes used the manual's phased approach to planning and approval. For the April 2016 capital plan, the deputy minister committee described in the manual did not exist. Projects were not funnelled from a 10- to 5- to 3-year plan with phases.

For the April 2016 capital planning process, Infrastructure identified several activities that various stakeholders needed to complete. For example, Infrastructure would ask departments for a ranked list of projects or programs that required planning funds, and another ranked list of projects and programs not in the capital plan. Infrastructure also asked departments to identify its priority projects that were shovel-ready. The Minister Capital Committee would review the lists and ensure they fit with the capital planning priority focus areas. The Treasury Board Committee would make recommendations to Cabinet on which projects and programs to fund. But for the April 2016 process, it's not clear what the planning phases were or how projects would move between the phases.

Planning funds—For the April 2016 capital planning submission, Infrastructure asked departments for a ranked list of projects or programs that required planning funds. It also said that departments should direct planning funds toward business case development. It gave departments examples of deliverables that planning funds could and could not be used for. Some of the deliverables that Infrastructure said departments could use funds for related to planning deliverables that departments would complete after a business case, as outlined in the manual.

Departments requested planning funds for specific projects and programs, and Cabinet approved $145 million in planning funds for the next five years. Treasury Board and Finance gave each department a decision memo that said how much funding it had been approved for planning. Although some departments requested planning funds for specific projects and programs, the decision memos didn't specify if the approved funding was for specific projects and programs. It's not clear how much planning departments should do before they come back to the Minister Capital Committee.

Projects and programs—For the April 2016 capital planning submission, Infrastructure also asked departments for a ranked list of projects or programs. Infrastructure asked departments to provide supporting planning documents, such as a needs assessment, business case, options analysis, functional program review or schematic design report. A needs assessment is usually one of the first planning documents completed, whereas a schematic design report is normally completed after a business case and functional program review. As more planning is completed, the project scope is further defined, as is the project cost estimate accuracy. It's not clear what project planning deliverables departments had to complete for a project to be considered for inclusion in the capital plan.

Shovel-ready projects—For the April 2016 capital planning submission, Infrastructure also asked departments to identify shovel-ready projects. The term "shovel-ready" is not used in the manual. Nor is it a phase. Infrastructure told departments that if a project would be ready to go to tender by June 2016, it would be shovel-ready. But Infrastructure didn't define the planning deliverables needed for a project to be shovel-ready. A sample of projects from the April 2016 capital plan that departments identified as shovel-ready showed that most were at more advanced phases of planning. As of August 2016, some of the projects sampled had not gone to tender because more planning was needed. For example, Cabinet approved a $19-million project that the Department of Environment and Parks identified as shovel-ready. In the capital planning submission, Environment and Parks identified that a planning study was complete and that the construction of the facility could be expedited and considered shovel-ready if a construction management method of procurement was used. Infrastructure is building the facility and did not support this procurement approach. As of August 2016, Infrastructure needed to complete detailed design before the facility could proceed to the construction tender phase.

Verification of planning documents—For the April 2016 capital plan, Infrastructure improved the capital planning submission templates by asking departments to provide specific planning documents, such as a needs assessment, business case or schematic design report. Departments didn't always provide these planning documents, and Infrastructure couldn't provide us with documented evidence that it had verified that these planning documents were completed. Infrastructure said each department needed to ensure it had sufficiently planned its projects. Infrastructure also said that for the April 2016 capital plan, it only had approximately one week to prepare the submissions for the Minister Capital Committee and it didn't have time to verify if departments had completed the planning documents.

Allocation of planning funds—The approval of planning funds in the April 2016 capital plan is a good step toward ensuring departments plan enough, at the right time. Infrastructure now needs to further clarify its phased planning approach and define the deliverables required for each phase.

RECOMMENDATION: Improve capital planning standards and phased approach to capital planning and approval

We recommend that the Department of Infrastructure improve its capital planning system by:

- updating its capital planning standards
- clarifying the capital planning phases and the planning deliverables required for each phase
- verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees

Consequences of not taking action

Government committees may base decisions for capital projects and programs on incomplete and inaccurate information. The committees may approve funding for projects before the project scope, cost and risks are adequately defined and understood, potentially resulting in capital projects that exceed cost or do not meet business needs.

Improve maintenance planning systems

Context

Roles—The Department of Infrastructure is responsible for the annual capital planning system. It tells departments what information it needs from them on their capital maintenance and renewal needs. Departments and other government organizations, such as Alberta Health Services, post-secondary institutions and school jurisdictions, determine their own maintenance needs and priorities.

Capital maintenance and renewal budget increases—The Government of Alberta has significantly increased its investment in capital maintenance and renewal.[8] Between 2012 and 2015, the budget for maintenance ranged from about $400 million to $600 million per year. In the April 2016 capital plan, the budget for maintenance will grow significantly and range between about $900 million and $1.5 billion between 2017 and 2021.

Criteria: the standards of performance and control

The Department of Infrastructure should have systems to:

- obtain information on maintenance needs and risks
- evaluate the impact of its maintenance funding recommendations and provide this information to the Minister Capital Committee

Our audit findings

Key Findings

Infrastructure does not obtain adequate information from departments on their maintenance needs and risks, or on the results they aim to achieve with the maintenance funding they request. Therefore, Infrastructure cannot assess if the advice it provides to the Minister Capital Committee on maintenance funding will maintain assets or cause asset condition to deteriorate (or improve).

Maintenance funding requests

For the April 2016 capital plan, Infrastructure asked departments to provide their maintenance funding requests for the next five years. A sample of maintenance funding requests by five departments showed that their methodologies differed. For some departments sampled, it wasn't clear from their submission the methodology they used to determine the maintenance funding requested. And some departments changed their methodology annually. For example, for the April 2016 submission, one department used its supporting maintenance systems to determine maintenance needs and then adjusted the needs based on priority or capacity constraints. One department incrementally built up its requested funding based on capacity constraints, without any reference to actual maintenance needs. To determine their requested funding, two departments used one per cent of replacement cost and another department used two per cent of replacement cost. None of the departments that used the replacement cost methodology identified their actual maintenance needs. Infrastructure didn't ask departments what results they expected if they got their funding requests.

8 Capital maintenance and renewal includes work that maintains an asset, extends its life, or makes sure it does not become obsolete.

Departments' maintenance needs and risks

For the March 2015 proposed capital plan, Infrastructure asked departments to classify maintenance funding requests into high-, medium- and low-risk categories. But it did not define these risk categories or explain how to do this. For the April 2016 capital plan, Infrastructure did not request any information from departments on their maintenance risks. Infrastructure could not give us evidence of how departments' maintenance needs or funding requests relate to maintenance risks, because it did not ask departments for this information.

Infrastructure's maintenance funding analysis and advice

Government advice on maintenance costs—In 2008, the Government of Alberta published a strategic capital plan, saying:

> "Literature on maintenance costs suggests that annual costs to maintain a building are approximately 2% of its replacement cost. In the first 25 years, the cost is more likely to be in the 0.5% range of the replacement value. It increases to approximately 3% in the second 25 years, averaging roughly 2% over the 50-year life of a building. The percentage can vary, and different buildings will have different maintenance requirements. The fact that maintenance costs increase in the second half of a building's life is significant for Alberta because the province had a significant building boom in the 1970s and 1980s. These facilities are now 25 to 35 years old and are starting to move into the range where annual maintenance costs could be in the 3% range."[9]

For the March 2015 proposed capital plan, Infrastructure did not use departments' actual maintenance funding requests (except Transportation's[10]) to make maintenance funding recommendations to the Treasury Board Committee. Instead, consistent with this 2008 guidance, it used a percentage of replacement cost, but a lower percentage than the guidance suggested. Infrastructure recommended that the Treasury Board Committee incrementally build up maintenance funding it approved to one per cent of replacement cost over five years. Infrastructure told the committee that this was based on industry standards and would be sufficient to maintain existing assets at current levels—facility condition would neither improve nor worsen. Infrastructure did not have any analysis to support this assessment. The committee approved maintenance funding based on the replacement cost methodology, with some shifting of funds between years. This led to a significant increase in approved maintenance funding in the March 2015 proposed capital plan.

Funding capital maintenance and renewal based on replacement cost may be an acceptable methodology. But Infrastructure should still obtain information from departments on their actual maintenance needs, risks and expected results and analyze this information to support the funding it recommends to government committees.

Additional maintenance funds—For the April 2016 capital plan, Infrastructure gave the Minister Capital Committee the departments' maintenance funding requests and a scenario suggesting the departments could, collectively, invest an additional $648 million in maintenance over the next five years. The $648 million was in addition to the $5.4 billion in maintenance funding already approved as of December 2015. There is no documentation of how Infrastructure arrived at the $648 million. Infrastructure

9 http://open.alberta.ca/dataset/c908860e-0603-404f-8afd-31421ea83efc/resource/ec5c517c-986d-4c9b-b7b5-280098a038d0/download/4060237-2008-20-Year-Strategic-Capital-Plan-web.pdf, page 65.

10 Infrastructure used Transportation's request for roads and bridges. Transportation based its request on capital maintenance and renewal needs.

said the figure was based on what it felt was needed to stop the maintenance backlog from growing, while balancing the capacity of departments and other government organizations to complete additional maintenance projects.

In documents we examined, Infrastructure said it based the proposed maintenance funding projections on at least one per cent of the replacement cost or the industry standards for similar assets. Infrastructure did not have any documented analysis to support this statement. Nor did it have an analysis of how the approved capital maintenance and renewal funding compares to the one per cent replacement-cost methodology. Cabinet ultimately approved $792 million, mostly for landslide repairs, post-secondary institutions, schools and seniors' facilities.

Although departments, together with government organizations such as Alberta Health Services, post-secondary institutions and school jurisdictions, are responsible for identifying and tracking their maintenance needs and priorities, Infrastructure has to obtain this information from them to provide its analysis and advice on maintenance funding to the Minister Capital Committee.

Infrastucture's review of maintenance

In June 2016, Infrastructure reviewed deferred maintenance in the Government of Alberta. It found significant differences in how departments and other government organizations calculate and interpret deferred maintenance. The review made several recommendations to standardize the definition of deferred maintenance, link maintenance investment to service outcomes, incorporate risk and formalize performance feedback.

Infrastructure's review of deferred maintenance was a good first step. The review produced useful recommendations that would help Infrastructure with developing better investment planning systems for existing infrastructure within the government. Infrastructure has committed to reviewing these recommendations and developing an implementation plan.

RECOMMENDATION: Improve maintenance planning systems

We recommend that the Department of Infrastructure:

- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding

Consequences of not taking action

Government committees will not have adequate information on departments' maintenance needs, risks or results expected when making maintenance funding decisions. This lack of adequate information could cause poor service delivery, unnecessarily high operating and maintenance costs, and unnecessary risks to Albertans' health and safety.

Evaluate building maintenance programs

Context

The Government of Alberta has several capital programs to maintain buildings. We examined the four largest programs:

- **the Infrastructure Maintenance Program (IMP)**—The Department of Infrastructure (for health facilities) and the Department of Advanced Education (for post-secondary institutions) each have their own program with this name
- **the Infrastructure Maintenance Renewal (IMR) Program**—The Department of Education has this program for school jurisdictions
- **the Government Owned Facilities Preservation Program (GOFP)**—The Department of Infrastructure runs this program for government-owned and -leased facilities

All four programs have a similar purpose: provide funding to repair building parts, such as boilers and roofs, to meet buildings' needs and extend their lives.

Several departments and other government organizations, including Alberta Health Services, post-secondary institutions and school jurisdictions, are involved in these programs. Their responsibilities are:

	GOFP – government-owned and -leased facilities	IMP – health facilities	IMP – post-secondary institutions	IMR – schools
Capital maintenance program budget	Infrastructure	Infrastructure	Advanced Education	Education
Develop capital maintenance plan	Infrastructure	Alberta Health Services	post-secondary institutions	school jurisdictions
Review capital maintenance plan	Infrastructure	Infrastructure and Health	Infrastructure	Education[11]
Set capital maintenance priorities, complete maintenance and rehabilitation projects and spend the funds	Infrastructure	Alberta Health Services	post-secondary institutions	school jurisdictions
Monitor capital maintenance expenditures	Infrastructure	Infrastructure	Infrastructure and Advanced Education	Infrastructure and Education

Cabinet approves funding for these programs as part of the Government of Alberta's capital plan. In the April 2016 capital plan, Cabinet approved $3 billion for capital maintenance and renewal funding for government-owned facilities, health facilities, post-secondary institutions and schools for the next five years.

11 Although Education requires school jurisdictions to have an annual IMR plan, they give it to Education only if asked.

Criteria: the standards of performance and control

The Government of Alberta should periodically evaluate its capital maintenance programs for buildings (government-owned facilities, health facilities, post-secondary institutions and schools) to assess whether they are meeting program goals.

Our audit findings

Key Findings

The Government of Alberta has not reviewed its four capital maintenance programs for buildings to assess whether they are working as effectively as possible.

Capital maintenance programs for buildings

Each program has different guidelines and oversight. Infrastructure has an asset management strategy that defines asset management goals for government-owned and -leased facilities. The guidelines for other programs describe roles and responsibilities, funding formulas, project thresholds, eligible expenses, eligible facility types, and funding and reporting requirements. But they differ significantly. For example:

- **Project thresholds**—School jurisdictions can use IMR Program funds for capital maintenance projects under $1 million (unless the minister approves more). Alberta Health Services can use IMP funds for capital maintenance projects under $5 million (unless a specific committee approves more). Post-secondary institutions do not have project thresholds under their IMP, nor does Infrastructure have project thresholds for its GOFP.

  Advanced Education, Education, Health and Infrastructure submit funding requests for these programs as part of the annual capital planning submission. The departments submit these funding requests for a program, not for specific projects. It is not clear if the project thresholds for these programs meet the Government of Alberta's capital planning requirements. For example, can departments submit all capital maintenance projects, regardless of size and complexity, as part of the capital maintenance and renewal program? Or do projects that meet specific criteria, such as project size and complexity, need separate approval from Cabinet within the capital plan?

- **Reporting requirements**—For example, annually, Alberta Health Services must submit a multi-year IMP plan to Infrastructure for review. The plan outlines the IMP projects underway and the anticipated IMP projects for the next two years. If AHS adds a new preservation project to its IMP plan and the project exceeds $1 million, excluding emergency projects, or if AHS adds a new functional project to its IMP plan, AHS must submit the project to Infrastructure for review before work starts. Post-secondary institutions must also submit a multi-year IMP plan to Infrastructure for review each year. If a post-secondary institution revises its plan and the changes exceed either $2.5 million or 50 per cent of its total IMP funding, it must also submit the change to Infrastructure for review. Although Education requires school jurisdictions to have an annual IMR plan, they give it to Education only if asked.

- **Funding formulas**—Education and Advanced Education allocate IMR and IMP funding to school jurisdictions and post-secondary institutions using formulas. But the formulas differ. The formula for schools uses facility area, facility age and full-time student counts to determine the funding each school jurisdiction will receive from the IMR program. Advanced Education recently changed its formula: it uses area and the five-year deferred maintenance liability to calculate the funding each institution will receive from the IMP.

Review of capital maintenance programs for buildings

Some departments, working with other government organizations, review program guidelines periodically. And all departments have completed elements of a program review. But these reviews occur in silos: each program is reviewed separately. We could not find evidence that any department has comprehensively reviewed all these programs to assess similarities and differences, apply lessons from one program to others, or assess if these programs are working as effectively as possible.

Because there are four building maintenance programs and the program budgets are in three different departments, no one department is responsible for reviewing all of the programs. Because Infrastructure is the only department involved in all four building maintenance programs, and it is responsible for developing and implementing policies related to the capital plan, it is in the best position to lead a centralized review of the four programs. If Infrastructure does not have the authority to conduct the centralized review, it should seek the necessary authority.

RECOMMENDATION: Evaluate capital maintenance programs for buildings

We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.

Consequences of not taking action

If a comprehensive review of the four similar programs is not completed, there will be no opportunity to benefit from the learnings, insights and efficiencies such a review would provide.

Alberta Gaming and Liquor Commission
Vendor Access Control

October 2017

Introduction

The Alberta Gaming and Liquor Commission depends heavily on information technology to deliver video lottery, casino and liquor products and services throughout Alberta.

The information technology used by the AGLC is specialized and has to constantly evolve to stay current in the gaming industry. A cost-effective way to keep pace is to contract out some IT services. As a result, the AGLC uses many external IT vendors that require direct access into its gaming systems and corporate network. It is critical for the AGLC to have effective systems to manage its vendor IT support activities.

In 2016, we audited the AGLC's systems to manage its external IT vendors. We recommended that the AGLC improve its systems to provide oversight of and monitor its vendors' access to its internal systems.

Because our findings dealt with IT security matters, reporting on detailed audit findings could have further exposed the AGLC's systems. We therefore did not publicly report the results of the audit.

In 2017, we conducted a follow-up audit. We report on the results of our follow-up audit below.

It is critical for the AGLC to have effective systems to manage its vendor IT support activities.

Audit Objective and Scope

Our objective was to determine whether the AGLC has implemented our recommendation to improve its systems to manage external IT vendors that support its information systems.

What We Examined

We examined the AGLC's systems to manage its external IT vendors' access to its corporate network and systems. We reviewed vendor oversight processes and network security controls and monitoring capabilities.

We limited our audit scope to the risks associated with vendor access and IT security. We did not assess other aspects of vendor oversight activities such as performance management.

We conducted our field work from December 2016 to February 2017, and substantially completed our audit on June 15, 2017.

Conclusion

The AGLC has implemented our recommendation by improving its systems to manage external IT vendors' access to its critical gaming and liquor IT systems.

Why This Conclusion Matters to Albertans

A failure with the AGLC's corporate systems from inappropriate use, or a security exposure caused by its external IT vendors, could impact its gaming and liquor business operations and delivery of services to Albertans.

Findings

The AGLC has improved its systems to manage external IT vendors by enhancing its processes and tools to oversee and monitor IT vendors when they access the AGLC's network and information systems. The AGLC has:

- updated its IT vendor policy and control procedures
- revised its IT security policies and control procedures, including performing regular vendor access reviews
- updated its contracts for vendor requirements on computer use, with IT security controls now being included in contracts
- implemented network logging and monitoring tools and processes for critical systems to verify IT vendors' compliance with IT security standards

Alberta Advanced Education
Collaborative Initiatives Among Post-secondary Institutions

October 2017

Introduction

Alberta has 21 publicly funded post-secondary institutions, such as universities, colleges and technical institutes. They largely developed independently of one another, each running its own programs and maintaining its own support services. However, in recent decades they have begun to work together, and in 2002 the government created Campus Alberta—A Policy Framework,[1] designed to formalize and encourage collaborative initiatives among post-secondary institutions.

We performed an audit in 2013[2] to determine if the Department of Advanced Education and public post-secondary institutions had adequate systems to plan, govern, implement and sustain the collaborative initiatives among Alberta's institutions. We sampled three collaborative initiatives to determine how they fit into the department's plans for institutions to work together to provide learning opportunities for Albertans in a cost-effective and sustainable manner.

In the original audit, we found institutions executed collaborative initiatives with no ministry strategic or business plan for collaboration. Institutions did not understand what the department expected Campus Alberta to achieve or how to achieve it. There were:

- complex and poorly understood governance structures for collaborative initiatives
- no targets to ensure objectives were being met
- planning deficiencies related to sustainable funding for collaborative initiatives
- no methods for monitoring and reporting on collaborative efforts

We recommended that the department work with institutions to develop:

- a strategic plan and accountability framework
- processes and guidance to plan, implement and govern collaborative projects

Audit Objective and Scope

Our objective in this follow-up audit was to determine if the department has implemented the two recommendations from our July 2013 report. To understand how collaborative initiatives are being planned, monitored and reported now compared to our original audit, we examined the Campus Alberta Unified Services program. The program was designed to provide small-to medium-size Alberta-based post-secondary institutions access to a common information technology system for financial operations, human resource management and student service administration.[3]

We limited our scope to the department's processes, including using reports received from the University of Alberta. We did not audit the processes related to Campus Alberta Unified Services at the University of Alberta.

We conducted our audit in accordance with the *Auditor General Act* and the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

1 Per the policy framework, "Campus Alberta is not a program, nor is it an institution. Rather, it is a concept, a set of principles and a way in which the learning system works together to deliver seamless learning opportunities for Albertans." (Campus Alberta – A Policy Framework, page 1).
The vision of Campus Alberta is, "Albertans will have opportunity to participate in lifelong learning supported by a learning system in which learning providers collaborate to deliver quality and innovative learning opportunities - where and when Albertans need them - to enhance their social cultural and economic well-being." (Campus Alberta – A Policy Framework, page 2).

2 *Report of the Auditor General of Alberta – July 2013*, pages 41-54.

3 Campus Alberta Unified Services Business Case – March 2014, Version 3.2, updated April 01, 2015.

What We Examined

We interviewed department management and reviewed documentation to learn how management responded to our recommendations. We also examined the department's processes for overseeing the planning and delivery of the Campus Alberta Unified Services program.

We conducted our field work from July 2016 to February 2017, and substantially completed our audit on March 17, 2017.

Conclusion

Alberta's students are not getting the full benefits of collaboration.

In this follow-up audit, we concluded that the Department of Advanced Education has not implemented our recommendations to work with institutions to:

- develop and communicate a strategic plan that clearly defines
  - the minister's expected outcomes for Campus Alberta
  - initiatives required to achieve those outcomes
  - resources and funding needed to carry out the strategic plan
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the cost of achieving them
- review and clarify the accountability structures for governing collaborative initiatives
- develop processes and guidance on how to plan, implement and govern collaborative initiatives

Collaboration allows post-secondary institutions to share costs, resources and best practices. Alberta's students are not getting the full benefits of collaboration because the department still has no plan for how institutions should work together.

Why This Conclusion Matters to Albertans

Alberta's 21 public post-secondary institutions spend about $5.4 billion annually. They contribute to the government's priorities of building a knowledge-based economy and improving the social well-being of Albertans. The government wants these institutions to collaborate[4] in an effort to improve services to students and make the advanced education system more efficient, effective and sustainable.

4 The department has several policy frameworks that highlight the importance of collaboration among institutions: Campus Alberta – A Policy Framework; A Learning Alberta; and the Roles and Mandates Policy Framework.

Findings and Recommendations

Develop strategic plan and accountability framework—**recommendation repeated**

Context

Alberta's post-secondary institutions have the potential for numerous collaborative initiatives, but there must be an effective strategic plan to identify, prioritize and coordinate these. A strategic plan, together with an accountability framework, would allow the department and institutions to:

- set specific measurable results and responsibilities
- plan to achieve results
- complete the work and monitor progress
- report on results
- evaluate results and provide feedback (results analysis)

The Minister of Advanced Education's oversight, through the department, should be to ensure institutions have implemented sustainable processes and are working collaboratively to achieve their mandates. The board of governors of an institution focuses its fiduciary duty on that specific institution's mandate; only the department has the overall perspective and insight to see that all institutions are effectively and consistently carrying out the minister's overall mandate.

Criteria: the standards of performance and control

The department and institutions should have a clearly defined governance and accountability framework for collaboration among post-secondary institutions. Such a framework should include:

- clear plans for initiatives, the costs to implement and sustain them, funding strategies, timelines, deliverables, risk assessments and mitigating strategies
- relevant performance measures and targets to assess if desired outcomes are being achieved and to report the results
- accountability, roles and responsibilities for overseeing the planning, implementation and ongoing operation of initiatives

Our audit findings

Key Finding

The department still does not have a strategic plan or accountability framework for collaboration among institutions.

Strategic plan

The department developed an interim Campus Alberta strategic plan for fiscal 2015. The purpose of the interim plan was to outline the commitments of the department to strengthen collaboration, as well as lay the groundwork for the development of a permanent collaboration strategic plan. Although the plan did identify system-level outcomes and broad actions for how they would be achieved, it did not define the resources required or sources of funding necessary. Nor did the plan identify relevant

performance measures and targets to assess if the department had achieved its desired outcomes. The department posted this interim strategic plan on its intranet; however, there was no evidence to show the department had formally communicated this plan to the institutions or what the department expected institutions to do with the plan.

Management asserted to us in September 2014 that "work is currently underway to develop the Campus Alberta strategic plan for 2015–2016 intended to identify gaps and shared priorities for the advanced learning system, through a process of co-development." We found no evidence the department had done any work in developing the 2015–2016 Campus Alberta strategic plan.

After the 2015 provincial election, the department abandoned a Campus Alberta strategic plan and chose to outline its vision and principles for the Adult Learning System, which encompasses all post-secondary institutions, whether publicly or privately funded. Despite this transition, the desired outcomes of Advanced Education have not changed. Outcome three of the Advanced Education Business Plan 2017–2020 states: "A coordinated adult learning system is accountable for collaborating strategically and providing learning opportunities across a spectrum of programs and services."[5] However, there is still no plan on how collaboration will help achieve these outcomes.

Communication with institutions

Since the completion of our original report, management was not able to provide evidence of how it has clarified to institutions what collaboration should be and how to achieve it.

Performance measures and public reporting

The department does not have relevant performance measures and targets to know if they are collaborating effectively to eliminate duplication, save costs and improve services for students. They do not publicly report progress towards achieving the desired outcomes and the associated costs and savings.

Governance and accountability structures

As outlined in our original report, there are many committees and separate legal entities that institutions created for collaborating. Complex governance and accountability structures can complicate effective planning, risk management, resource allocation, coordination and accountability. Further, complexity works against the department's goal of a more efficient and cost-effective post-secondary system. The department has not comprehensively reviewed the mandates, roles and responsibilities of these committees and entities.

Department management indicates that two current government reviews of post-secondary institutions have delayed implementation of the recommendation. Management is examining post-secondary institution funding allocations and is participating in a government-wide review of agencies, boards and commissions that includes a specific review of post-secondary institutions. Both reviews plan to be finished in fiscal 2017–2018, and management is waiting to see if the results of these reviews impact the department's design of an effective strategic plan and accountability framework for collaborative initiatives.

5 http://www.finance.alberta.ca/publications/budget/budget2017/advanced-education.pdf, page 9.

RECOMMENDATION: Develop strategic plan and accountability framework —recommendation repeated

We again recommend that the Department of Advanced Education, working with institutions:

- develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the costs associated with collaborative initiatives
- review and clarify the accountability structure for governing collaborative initiatives

Consequences of not taking action

Without a strategic plan and accountability framework, there is a high risk that the department will not achieve its collaborative initiative goals cost effectively—or at all

Develop processes and guidance to plan, implement and govern collaborative projects—**recommendation repeated**

Context

Project management is the discipline of planning, organizing, managing, leading and controlling resources to achieve specific objectives and outcomes. Projects need a clearly defined accountability framework to achieve their objectives.

To be accountable, entities should follow this project life cycle:

- plan what needs to be done by identifying specific deliverables, costs, funding sources, timelines and responsibilities
- complete the work
- monitor progress against plans and report the analysis to those responsible
- evaluate progress and adjust plans and actions as required

For the three initiatives we looked at in our original audit, key aspects of a project life cycle were missing. The department and institutions did not identify sustainable funding sources at the start of each project. Further, institutions had complex governance structures, did not compare actual costs with budgeted costs, and did not publicly report on results.

We selected the Campus Alberta Unified Services program as the collaborative initiative to examine for this follow-up audit.

Campus Alberta Unified Services

In May 2011, a consortium of six small post-secondary institutions presented a business case for a centrally hosted and managed enterprise resource planning system. This system was to include financial operations, human resource management and student service administration. The department supported this initiative and forwarded the business case to Treasury Board and Finance for approval, but by spring 2013 the initiative remained suspended, awaiting funding.

In April 2013, the University of Alberta came forward and offered an alternate administrative service solution, the Campus Alberta Unified Services program. The aim of the program was to provide a lower-cost alternative for post-secondary institutions that wanted to implement an enterprise resource planning solution but were unable to proceed because of budgetary

constraints, lack of trained/skilled resources, inadequate technical infrastructure or an inability to deal with the massive organizational change. Through Campus Alberta Unified Services, these post-secondary institutions could instead leverage the University of Alberta's in-house enterprise resource planning application, technical infrastructure and financial administration expertise.

The first shared services module was for financial operations, providing participating institutions the ability to use the U of A's finance module. Institutions would process their financial transactions through the U of A's system, and the university's financial administration team would provide financial back-end services to the institutions, including reporting, receivable/payable oversight, financial applications and support.

In 2014, the Board of Governors of Olds College approved a project to replace the college's financial, payroll and student services systems with an integrated shared services system from Campus Alberta Unified Services. The college implemented the finance module in November 2015 but has not implemented the other two modules as college management is re-examining the future cost sustainability of the system. Olds College is the only institution to implement any module under the Campus Alberta Unified Services program to date.

Potential benefits of enterprise resource planning shared services

An effectively delivered shared services environment accessible by all post-secondary institutions in Alberta has the potential to streamline business processes, reduce the cost of delivery, and improve service for Albertans.

Shared service benefits enabled by a common ERP include:

- information technology cost savings
- business process efficiency
- a catalyst for business innovation
- a common look and feel, simplifying training and optimizing usage[6]

Criteria: the standards of performance and control

The department and institutions should have an effective project and risk management system to plan, govern, implement and report on collaborative projects.

Our audit findings

Key Finding

The department has not worked with post-secondary institutions to develop processes and guidance to plan, govern, implement and report on collaborative projects.

6 http://www.gartner.com/it-glossary/enterprise-resource-planning-erp/

Planning

Planning should include detailed project plans to clearly define objectives and outcomes, alternative ways to achieve them, costs to implement and sustain initiatives, resources required, funding sources, risks and management plans.

In March 2013, the department issued a grant award letter to the U of A to develop the Campus Alberta Unified Services program on behalf of the department. The grant award letter indicated the grant was in support of the development of a business case and a final enterprise resource planning service and identified the stakeholders involved. The department awarded the funding without requesting the U of A to detail program deliverables, costs, timelines and responsibilities.

The letter did not specify:

- allocation of funding
- roles and responsibilities of the stakeholders
- necessary modules and deliverables of the shared services

Planning should include detailed project plans to clearly define objectives and outcomes.

The U of A presented the draft business case to the Campus Alberta Unified Services Steering Committee[7] in April 2014. The steering committee did not approve the business case until April 2015. During this one-year period prior to the approval:

- Olds College began preparing for the 2015 implementation of the first module of the Campus Alberta Unified Services system
- the deputy minister approved three disbursements to the U of A totaling $1.5 million

The U of A produced a grant allocation document in April 2015, but it was not until March 2016 (almost 2.5 years after the initial disbursement) that the deputy minister approved it.

The approved business case did not have:

- a clearly stated program objective—without an objective for the Campus Alberta Unified Services program, it is difficult for the department to determine if the program achieved its intended results for the public funding provided
- evidence of stakeholder support—the business case includes a list of stakeholders, but there is no evidence of explicit stakeholder commitment
- an adequate cost-benefit analysis—there was no program-level detail identifying how many institutions were required to join for the shared services to be sustainable and cost effective

Governance

Oversight means being vigilant, ensuring that processes and systems are working well, and signalling preferred behaviour, all in the pursuit of desired results.

The U of A established a steering committee to implement and operate the Campus Alberta Unified Services program. The role of the steering committee is to provide executive leadership and oversight, and the members act as the senior advisory and decision-making body of the program.

The steering committee receives a monthly report on the progress of the initiative, which includes actual costs and high-level progress. The department's chief information officer

7 The steering committee consists of the chair (a non-voting member from the U of A) and three voting members: one from the U of A, one from Advanced Education, and a post-secondary institution representative from the stakeholder committee. The committee also includes non-voting advisory members from the institutions and department.

(voting member) provides ad hoc, informal updates to the deputy minister, but there was no documented evidence of the substance of this communication.

When a disbursement of the grant funding is required, a member of the Campus Alberta Unified Services Steering Committee prepares a briefing note for review and approval by the deputy minister. However, there is no formal process to provide ongoing updates to the deputy minister, nor is there any evidence of the department requesting this information.

Measure, monitor and report

Before an organization can know what it needs to improve to achieve desired outcomes, it must measure and analyze the results it is achieving. We would have expected the department to:

- identify expected results, and strategies to achieve the results
- create relevant performance measures for internal and external reporting
- set targets for the performance measures
- analyze the current results for the performance measures against the targets, as well as analyze trends in relation to prior years
- identify ways to improve
- develop and implement a plan to improve
- report results in relation to desired outcomes, including lessons learned and plans for improvement

The department has developed objectives for the Campus Alberta Unified Services program. However, it has not established performance measures and related targets. As a result, it is unclear if the initiative is meeting its desired outcomes. In addition, there is no formal reporting by the department to the public for this initiative. We would have expected reporting from the department that answered questions including:

- What is the expectation for the use of the remaining allocated funds?
- How many institutions are expected to join the Campus Alberta Unified Services program to conclude it is a viable program?
- Is the ongoing cost of the Campus Alberta Unified Services program sustainable?
- What are the barriers identified by Olds College in implementing the Campus Alberta Unified Services program human resource management and student service administration modules, and can the department rectify those barriers?

RECOMMENDATION: Develop processes and guidance to plan, implement and govern collaborative projects—recommendation repeated

We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.

Consequences of not taking action

Ineffective project management systems increase the risk that the department and institutions will not complete collaborative initiatives on time, on scope, within budget and with desired results.

Alberta Agriculture and Forestry, Alberta Health Services and Alberta Health
Food Safety

October 2017

About This Audit

Food safety is an important human health concern. Ensuring that the food we eat is safe involves regulation, and oversight, at all stages of food production, preparation and sale. Alberta Health Services (AHS), the Department of Health and the Department of Agriculture and Forestry (Agriculture) share responsibility for food safety in the province. At a high level:

- Health and Agriculture set legislation and policy
- Agriculture monitors and inspects abattoirs (slaughterhouses) and meat processing facilities
- AHS is responsible for inspecting facilities that prepare or sell food, such as grocery stores, work camps and restaurants

In our October 2006 public report we made 10 recommendations to improve food safety in Alberta. We followed up and reported on the implementation progress of these recommendations in 2009 and 2013.[1] After the most recent follow-up audit, two of the original 2006 recommendations remained outstanding.

Ensuring that the food we eat is safe involves regulation, and oversight, at all stages of food production, preparation and sale.

Audit Objective and Scope

Our audit objective was to determine if AHS, the Department of Health and the Department of Agriculture and Forestry had:

- integrated their strategies to ensure a coordinated and effective approach to food safety
- improved public reporting on food safety in Alberta
- eliminated inconsistencies in how meat processing facilities were inspected

Our scope focused solely on the departments' and AHS's responsibilities for enforcing food safety as set out in provincial acts, regulations, standards and codes. We did not look at those federal government departments and agencies that oversee federal legislation for food produced in Alberta but sold outside the province.

We conducted our work in accordance with the *Auditor General Act* and the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

What We Examined

We interviewed department and AHS management and reviewed relevant documentation.

We conducted our field work in April and May 2017, and substantially completed our audit on June 22, 2017.

1 *Annual Report of the Auditor General of Alberta 2005–2006*, Volume 1, pages 63–107; *Report of the Auditor General of Alberta—October 2009*, pages 87–115; *Report of the Auditor General of Alberta—October 2013*, pages 51–63.

Conclusion

We conclude that AHS, the Department of Health and the Department of Agriculture and Forestry have achieved the outcomes described in the audit objective.

- AHS, Health and Agriculture jointly developed an integrated food safety work plan, and senior management from all three entities now work together to improve provincial food safety policies and program delivery through the Food Safety Modernization Committee.
- Both AHS and Agriculture now publicly report food safety facility inspection results on their websites.
- AHS and Agriculture now have similar practices to each other for inspecting businesses that both process and sell meat.

Albertans need to know that effective food safety systems are in place and working at all stages of food production, from meat processing plants to restaurants.

Why This Conclusion Matters to Albertans

Food safety is essential to good public health. To trust that the food they eat is safe, Albertans need to know that effective food safety systems are in place and working at all stages of food production, from meat processing plants to restaurants. To have this assurance, Albertans also need to know that AHS, the Department of Health and the Department of Agriculture and Forestry are co-operating and working together on food safety.

Findings

Integrated food safety work plan—recommendation implemented

Context

In previous audit reports we noted that the Department of Health and the Department of Agriculture and Forestry needed to strengthen the coordination of their food safety programs to ensure a coordinated and effective approach to food safety.

Criteria: the standards of performance and control

The Department of Agriculture and Forestry, the Department of Health and Alberta Health Services should be able to show there are aligned food safety inspection programs with defined objectives and performance measures.

Our follow-up audit findings

In 2014 Agriculture and Health agreed to collaborate to align their food safety activities through the Food Safety Modernization Initiative (FSMI). One outcome from this initiative was the joint development and implementation of an integrated food safety work plan for Alberta.[2] The FSMI steering committee is made up of senior management representatives from AHS and the two departments.[3] The committee has the authority to make decisions and provide direction to various working groups to ensure implementation of the work plan and achieve tangible results.

2 The current work plan covers the time period January 1, 2014 to March 31, 2017. Management representatives on the FSMI steering committee told us they are working on refreshing and updating the plan.

3 This committee has terms of reference, and its co-chairs are the executive director of the Health Protection Branch (Alberta Health) and the executive director of the Food Safety Division (Agriculture and Forestry). The committee is accountable to the assistant deputy ministers at Health and Agriculture who are responsible for food safety.

The current plan identifies five priority initiatives and 21 activities to improve food safety in Alberta, with a responsible lead or co-lead identified for each activity. As of April 2017, 16 activities are complete, four are awaiting proposed legislative change or other government approval, and work on one is ongoing.

A tangible result from the work plan is improved food safety reporting. The accountability and working group[4] developed inspection reporting measures for both AHS and Agriculture that are now in use and publicly posted on their websites.

A tangible result from the work plan is improved food safety reporting.

Public reporting of food safety facility inspection results—recommendation implemented

Context

Previously, we recommended the provincial entities responsible for ensuring food safety in Alberta improve their public reporting to demonstrate the effectiveness of their activities.

Criteria: the standards of performance and control

The Department of Agriculture and Forestry, the Department of Health and Alberta Health Services should be able to show that:

- the results of food safety inspection programs are regularly analyzed, and the results of the analysis are reported to senior management and Albertans
- Albertans have timely access to complete and accurate reporting on the results of food safety inspection programs

Our follow-up audit findings

Current public reporting

Both AHS and Agriculture publicly post the following results of their food safety inspections on their respective websites:

AHS

- restaurant inspection findings[5]
- environmental public health: safe food reporting measure[6]

Agriculture

- processing inspection rates for meat facilities licensed by Agriculture[7]
- percentage of active provincial licensed abattoirs that meet provincial food safety slaughter requirements[8]

4 This group worked on the integrated food safety work plan's third priority initiative, Accountability and Reporting, part of which was to develop a joint approach for food safety measures, indicators and reporting processes.

5 http://www.albertahealthservices.ca/eph/Page3149.aspx.

6 Percentage of facilities and associated number of routine and/or approval inspections (2015–2016 fiscal year), http://www.albertahealthservices.ca/assets/about/data/ahs-data-safe-food-reporting-fiscal-15-16.pdf.

7 April 1, 2015 to March 31, 2016 (Government of Alberta's fiscal year), http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/fs15533.

8 Performance measure 2.9, Agriculture and Forestry 2015–16 Annual Report, page 21, http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex16016.

Public survey on current public reporting by AHS and Agriculture and Forestry

We commissioned a third-party company to develop and conduct an online survey measuring public opinion about each type of public reporting by AHS and Agriculture.[9] Of the 1,138 respondents, a clear majority expressed that the reporting:

- should be available and easily accessible by Albertans
- is relevant and useful
- is clearly presented and easy to understand
- provides confidence in food safety programs
- is effective overall

A clear majority of respondents also indicated that (a) before taking the survey they were not aware of these reports being on AHS's or Agriculture's websites and (b) the most useful and informative reporting was the detailed presentation of the restaurant inspection findings. We therefore suggest AHS and Agriculture keep in mind two considerations for future revisions to their public reporting format:

- how to increase public awareness, and visibility, of these reports on their websites
- how to improve the content and usefulness of these reports

Internal reporting

Both AHS and Agriculture have internal performance measures for their food safety inspection programs. For example, AHS has five internal performance measures that it reports quarterly to Health.

Alignment of meat processing facility inspection practices—recommendation implemented

Context

Some meat processing facilities also operate retail food stores to sell their products. These facilities fall under the jurisdiction both of AHS and of the Department of Agriculture and Forestry. Agriculture is responsible for licensing and inspecting the meat processing facilities, while AHS licenses and inspects the stores that sell the meat. Each enforces the requirements of the applicable legislation, standards and regulations it is responsible for.[10]

In the past, AHS and Agriculture used different inspection practices from each other: AHS would conduct unannounced inspections (up to three a year for each retail operation), while Agriculture would inspect a meat processing facility through an annual scheduled audit lasting one to three days. Industry representatives had raised concerns about these differences in inspection practices.

Criteria: the standards of performance and control

The Department of Agriculture and Forestry, the Department of Health and Alberta Health Services should:

- have defined roles and responsibilities that are understandable and followed for inspecting all provincially regulated meat processors and processing facilities in Alberta
- use applicable food safety standards for inspecting provincially regulated meat processing facilities

9 This survey was conducted from April 18 to 24, 2017 and was weighted to reflect gender, age and regions of the Alberta population according to Statistics Canada.

10 Agriculture enforces the requirements of the *Meat Inspection Act*, *Meat Inspection Regulation* and *Meat Facility Standards*, while AHS's authority to inspect food establishments is governed by the *Public Health Act*, *Public Health Act Food Regulation*, and *Food Retail and Foodservices Code*.

Our follow-up audit findings

In 2015, Agriculture aligned its meat processing facility inspection practices with AHS's.

- It now conducts up to three unannounced inspections each fiscal year rather than one scheduled annual audit.[11]
- It developed an inspection form similar to that used by AHS.
- It removed requirements for processors to maintain written food safety programs not mandated by regulations or standards.

Agriculture made these changes after seeking input from AHS, Health and industry representatives. Agriculture conducted a pilot project of its new process in 2014 before fully switching over in 2015.

We examined a sample of meat processing facilities inspected by Agriculture during the fiscal year 2016–2017 and confirmed that the department was following its new inspection process consistently in all regions of the province.

11 Agriculture inspects some processors less than three times annually, as these businesses do not operate year round and inspectors may find them closed when they arrive on site to conduct an inspection.

Alberta Energy and Alberta Energy Regulator

IT Security for Industrial Control Systems in Alberta's Oil and Gas Industry

October 2017

Introduction

Alberta's oil and gas industry relies on critical infrastructure to extract and refine its products and safely deliver those products to provincial, national and international markets. Industrial control systems (ICS) are a key component of energy operators' efforts to monitor and ensure safe and reliable operations. If these control systems are not secure, they can be misused to cause damage to critical infrastructure (e.g., oil wells, pipelines and refineries), resulting in harm to Albertans and the environment.

In 2015, we performed an audit to evaluate if the government should assess the risks to Alberta from unsecured industrial control systems used in provincially regulated oil and gas infrastructure. We made one recommendation to the Alberta Energy Regulator and the Department of Energy to work together to determine whether a further assessment of threats, risks and impacts to ICS used in provincially regulated oil and gas infrastructure would benefit Alberta.[1]

We conducted a follow-up audit in 2017 and report on the results of this audit below.

Audit Objective and Scope

Our objective was to determine whether the Alberta Energy Regulator and the department have implemented our recommendation to determine if a further assessment of security risks to ICS is needed.

What We Examined

We examined the approach of the Alberta Energy Regulator and the department for assessing IT security risks to ICS in Alberta's oil and gas industry. We did not verify the operational effectiveness of the security controls identified from the ICS risk assessment.

We conducted our field work in June 2017, and substantially completed our audit on June 28, 2017.

Conclusion

The AER and the department have implemented our recommendation by conducting an assessment to understand how the oil and gas industry was managing its ICS security risk and the controls that the operators have implemented to secure their ICS.

Why This Conclusion Matters to Albertans

Unsecured ICS could lead to disruption to Alberta's provincially regulated oil and gas infrastructure, causing harm to Albertans and the environment. The AER and the department should understand the risks and impact to Albertans from unsecured ICS.

1 *Report of the Auditor General of Alberta – February 2016*, pages 27–31.

Findings

The AER and the department worked together and determined that an IT security assessment of ICS used in the oil and gas industry would benefit Alberta. They commissioned an independent consultant to conduct an ICS security assessment across a sample of Alberta oil and gas operators. The purpose of the assessment was to gain an understanding of existing ICS-related risks and what controls the operators have implemented to mitigate those risks. The assessment identified residual risks based on the identified controls and made observations to improve ICS security for the operators. The results were shared with industry associations to improve their awareness of ICS security.

The AER and the department also conducted a workshop to analyze the results of the risk assessment. They are currently working together to determine whether they need to take further action in response to assessed ICS security risks for Alberta's oil and gas industry. Through our ongoing interactions with both the AER and department, we will keep apprised of further developments in this area. Based on the work completed by both organizations to date, we are concluding that the recommendation has been implemented.

Alberta Health and Alberta Health Services Infection Prevention and Control in Alberta's Hospitals

October 2017

About This Audit

Infection prevention and control (IPC) is critical for managing the threat of infections acquired in hospitals. The continual increase in micro-organisms resistant to antibiotic[1] medications is a major threat to the health of Albertans. However, effective infection prevention and control strategies and judicious use of antibiotics may help slow the development of new forms of antibiotic-resistant organisms and may even help control the spread of infections. Practices such as proper handwashing and cleaning of medical devices appear simple, yet they are highly effective for preventing the spread of infections.

The Department of Health has overall oversight of IPC, while Alberta Health Services (AHS) is responsible for developing and implementing appropriate processes and systems to manage the risk of infections in hospitals.

In 2013[2] we made recommendations on the following:

- oversight of IPC (department)
- cleaning, disinfecting and sterilizing medical devices (AHS)
- prevention and control of antibiotic-resistant organisms (AHS)
- hand hygiene practices (AHS)

Effective infection prevention and control strategies and judicious use of antibiotics may help slow the development of new forms of antibiotic-resistant organisms.

Audit Objective and Scope

Our objective in this follow-up audit was to determine:

- whether the department:
  - has developed clear implementation responsibilities for each partner identified under the IPC strategy
  - has improved systems to monitor its progress in implementing the strategy
  - publicly reports on the success of the strategy
- whether AHS has adequate systems to demonstrate its success in managing health risk in hospitals through the following:
  - cleaning, disinfecting and sterilizing multiple-use medical devices
  - managing antibiotic-resistant organisms
  - ensuring compliance with hand hygiene practices

Our work was conducted under the authority of the *Auditor General Act* and in accordance with the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

1 Although the term "antibiotics" is commonly used, its technical meaning is relatively narrow. The medical literature uses the general term "antimicrobials" to refer to classes of medications effective against bacteria (antibacterials), viruses (antivirals), fungi (antifungals) and parasites (antiparasitics). The term "antibiotics" is most commonly used when referring to antibacterial medications. We did not limit our audit work to any particular micro-organism category. However, because the general public is more familiar with the term "antibiotic", we will use it in this report.

2 *Report of the Auditor General of Alberta—October 2013*, pages 17–48.

What We Examined

In performing the audit, we completed the following:

- interviews with management and frontline healthcare workers
- a review of applicable internal and publicly available documentation, data and reports
- visits to a sample of AHS hospitals to perform follow-up audit procedures, which included observation, interviews, examination of IPC documentation, and a review of samples of clinical records

We conducted our field work from September to December 2016. We substantially completed our audit on June 23, 2017.

Proper hand hygiene and cleaning of medical devices are vital for protecting patients and healthcare workers.

Conclusion

We conclude that the department and AHS have implemented our recommendations on infection prevention and control at Alberta Hospitals. We saw meaningful improvement in key areas. The department has strengthened its process to oversee implementation of the Infection Prevention and Control Strategy, including better engagement of AHS and professional regulatory bodies. AHS has strengthened its oversight of hand hygiene practices at hospitals, as well as hospital activities related to cleaning, disinfecting and sterilizing medical devices. AHS has also strengthened its systems for managing risk associated with antibiotic-resistant organisms in hospitals.

Why This Conclusion Matters to Albertans

Proper hand hygiene and cleaning of medical devices are vital for protecting patients and healthcare workers. Timely screening and treatment of patients with antibiotic-resistant organisms is key for containing the spread of these micro-organisms. Judicious use of antibiotics is critical for preventing microbes from developing resistance to these medications.

Findings

Oversight and accountability for infection prevention and control—recommendation implemented

Context

The department has oversight of the infection prevention and control strategy. Its main partners in the strategy are AHS and three professional colleges.[3] In our October 2013 report, we recommended that the department establish implementation responsibilities for each partner and improve its systems to monitor and publicly report on progress.

Our follow-up audit findings

The department has implemented this recommendation by documenting responsibilities for itself and each of its partners under the IPC strategy. The department also developed a monitoring process to check compliance with the strategy and has begun publicly reporting on the status of the strategy.

3 The College and Association of Registered Nurses of Alberta, the College of Physicians and Surgeons of Alberta, and the Alberta Dental Association and College.

We reviewed the implementation plan of the department and all its partners and noted that the responsibilities are aligned with the IPC strategy.

Periodic provincial IPC leadership meetings are held. The department and all the partners discuss and monitor progress on their implementation of the IPC strategy. The department's public website now reports on the implementation of the IPC strategy.

Hand hygiene practices—recommendation implemented

Context

When done correctly, hand hygiene is the single most effective way to prevent the spread of communicable diseases and infections. In our October 2013 report we recommended that AHS improve its systems for hand hygiene by:

- clarifying responsibility and accountability for improving hand hygiene compliance across hospitals
- using available data to identify hospital units with poor compliance and take appropriate remedial action
- strengthening the infection prevention and control training provided to hospital healthcare workers

Our follow-up audit findings

AHS has implemented this recommendation by establishing oversight of hand hygiene results at the provincial, zone and hospital levels.

We visited a sample of acute care facilities and noted the following:

- AHS has a process to systematically identify units and program areas with lower hand hygiene rates and take action to improve compliance.
- AHS has strengthened its hand hygiene application system, which allows for the compilation and analysis of hand hygiene compliance data to establish trends by hospital, clinical program and individual unit. Frontline staff receive their hand hygiene data and can compare their unit to other areas within the hospital.
- Hand hygiene compliance rates are posted in individual units for staff, patients and visitors to see.
- AHS has improved the delivery of IPC education and training to healthcare workers. In particular, AHS has established an IPC module within its annual continuing education requirements for frontline clinical staff (e.g., nurses). AHS's IPC function tracks and reports completion of the module.
- Hand hygiene compliance rates among physicians have improved but still remain below those of nurses and other healthcare staff.
- There has been an overall improvement in awareness of and compliance with hand hygiene, as shown in the chart on the following page.

Hand hygiene compliance rates among physicians have improved but still remain below those of nurses and other healthcare staff.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Nurse	53.5	63.0	68.6	77.6	81.4	84.4
Physician	31.3	42.3	51.4	58.9	65.7	70.2
Other	45.7	51.5	64.0	72.7	79.9	80.4

Source: Alberta Health Services

Cleaning, disinfecting and sterilizing medical devices—**recommendation implemented**

Context

Medical device reprocessing (MDR) is the cleaning, disinfecting and sterilizing of reusable medical devices. In our October 2013 report, we found that AHS did not have adequate systems to coordinate and oversee the work of individual reprocessing sites. We recommended that AHS establish oversight, accountability for results and consistent processes for medical device reprocessing across the province.

Our follow-up audit findings

AHS has implemented this recommendation by developing oversight of MDR results at the provincial and zone levels. During our visits to a sample of hospitals, we noted that AHS has developed a process to standardize MDR policies and procedures across all sites. AHS has also continued its practice of performing province-wide MDR reviews. Our examination of MDR review records has shown that there has been substantial improvement in the time taken to close deficiencies identified during the MDR reviews. All MDR workers in the sites we visited are now required to obtain mandatory certification. An effective process is in place to track the certification status of MDR employees.

Prevention and control of antibiotic-resistant organisms—recommendation implemented

Context

From the latter part of the 20th century onwards, antibiotic-resistant[4] organisms (AROs) have become a serious threat to human health. Alberta is not facing this threat alone. It is an international problem. Each jurisdiction will have to do its own part to solve it.

A key factor in the rise of AROs has been the overuse of antibiotic medications. Antibiotics are among the most commonly prescribed medications in acute care settings, accounting for about 15 per cent of drug expenditures at some hospitals in Alberta.[5] While antibiotics are good at killing most bacteria, some micro-organisms tend to develop resistance with repeated exposure to medication. In effect, we have experienced a race in the last few decades between medical science and microbes, whose ability to adapt has rendered many antibiotics ineffective.

To slow down this adaptation in microbes, antibiotics should be prescribed only when needed, and medications would ideally be matched to the specific micro-organism.

Management of risk associated with antibiotic-resistant organisms (AROs) involves managing the spread of AROs in hospitals and ensuring, through good stewardship, that antibiotics are used only when appropriate. In our October 2013 report we recommended that Alberta Health Services improve its systems to manage risk posed by antibiotic-resistant organisms at hospitals by:

- developing an evidence-informed approach for evaluating and aligning antibiotic-resistant organism policies and procedures in hospitals
- developing an approach to provide antibiotic stewardship in hospitals across the province

A key factor in the rise of AROs has been the overuse of antibiotic medications.

Our follow-up audit findings

AHS has implemented this recommendation by developing an evidence-informed approach for identifying and managing patients with AROs, standardizing processes for cleaning shared patient equipment, and launching a formal antibiotic stewardship program in hospitals.

ARO screening

In Alberta, ARO screening involves two steps that should be taken when a patient is admitted to hospital:

- ask the patient a set of questions to assess their risk of ARO infection
- test the patient if they show a high risk

We found that AHS used an evidence-based approach to standardize ARO screening practices at hospitals across the province. Although findings from our review of clinical records show that compliance with the ARO screening protocol has improved compared to 2013, it remains a challenge. In response to this challenge, AHS started to periodically sample hospital nursing units and review patient charts for compliance with ARO screening protocols. The results of these reviews are discussed with managers of the corresponding program areas. Compliance statistics are tracked and reported quarterly.

4 Although the term "antibiotics" is commonly used, its technical meaning is relatively narrow. The medical literature uses the general term "antimicrobials" to refer to classes of medications effective against bacteria (antibacterials), viruses (antivirals), fungi (antifungals) and parasites (antiparasitics). The term "antibiotics" is most commonly used when referring to antibacterial medications. We did not limit our audit work to any particular micro-organism category. However, because the general public is more familiar with the term "antibiotic", we will use it in this report.

5 Internal AHS documentation.

Shared patient equipment

AHS has developed a standard process for cleaning shared patient equipment (e.g., wheel chairs, IV pumps) in hospitals. At the time of this follow-up audit, we observed that AHS had deployed the new process at major hospitals in Calgary and Edmonton (over 60 per cent of all hospital beds in the province), and was getting ready to deploy the process at other hospitals across the province.

Antibiotic stewardship

AHS has launched an antibiotic stewardship program in hospitals and created formal provincial and zonal Antimicrobial Stewardship Committee structures. A number of antibiotic stewardship initiatives have been started across the province. Many of these initiatives are driven from the front line, with provincial and zonal committees providing coordination and support.

We highlight some examples of antibiotic stewardship initiatives:

- AHS collaborated with other entities in the province to introduce mobile apps for prescribers that offer easier access to lab data on what antibiotics are most effective for what microbes in different hospital settings across the province. AHS is working to increase the uptake of this data by individual prescribers.
- At a number of hospitals, AHS has put in place a process to restrict prescription of some antibiotics. The process prompts physicians to verify that the right symptoms are present, and suggests other drugs that may be more suitable for the situation.
- At a number of hospitals, AHS has started to deploy a peer review process[6] where another physician, or a specially trained pharmacist, reviews a sample of current patient cases and provides their suggestions directly to the treating physician.
- AHS has started to systematically analyze and report data on hospital antibiotic use at the zone and site levels. Some of the initiatives mentioned above are beginning to show promising results, with some hospitals reporting improvements in clinical indicators and cost savings from reduced use of antibiotics in hospitals.

AHS has implemented our recommendation by introducing a formal antibiotic stewardship program in hospitals. Although the program is a work in progress, it is important to recognize that antibiotic use in hospitals is part of a broader antibiotic stewardship effort that includes antibiotics prescribed to patients outside hospitals, as well as antibiotics used in animals. Further progress would likely require a coordinated effort that is outside the scope of our 2013 audit.

6 In clinical literature, this process is often referred to as prospective audit and feedback.

Alberta Health Services
Non-hospital Contracted Surgical Services

October 2017

About This Audit

Surgical services in Alberta can be provided at public hospitals or non-hospital surgical facilities. Most surgical procedures, including all major surgeries, are performed at hospitals, where specialized resources and equipment are available for complex procedures and managing serious complications. However, some other operations may be contracted to non-hospital surgical facilities. These other operations are in the areas of ophthalmology, pregnancy termination, otolaryngology (certain ear, nose and throat procedures), podiatry, dentistry, dermatology and plastic surgery, plus oral and maxillofacial surgery.

In 2001, we completed a performance audit examining the Alberta health system's processes for contracted non-hospital surgical facilities. The audit examined performance standards and monitoring systems for contracted facilities where surgeries are wholly or partially paid for by the government. We concluded that the performance standards and monitoring processes were not satisfactory and recommended they be improved.

Since the initial audit, we have completed several follow-up audits. Most recently, in July 2014,[1] we completed a follow-up performance audit and reported that for full implementation, Alberta Health Services needed to:

- clarify roles and responsibilities for managing performance under non-hospital surgical facility contracts, particularly in the area of service quality and patient outcomes
- define specific quality indicators that:
  - allow for consistent analysis and benchmarking of quality data across surgical facilities
  - are aligned with the requirements of the *Health Care Protection Act*[2] for the purpose of the public benefit analysis
- establish a formal process to periodically review the performance of contracted facilities, analyze and act on results, and provide the facilities with timely and appropriate feedback

Audit Objective and Scope

The objective of our audit was to determine whether Alberta Health Services (AHS) has implemented our recommendation to strengthen its process to monitor the performance of contracted non-hospital surgical facilities.

Our work was conducted under the authority of the *Auditor General Act* and in accordance with the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

1 *Report of the Auditor General of Alberta – July 2014*, no. 6, page 58.
2 RSA 2000, C-H-1.

What We Examined

To perform this follow-up audit we examined:

- changes in the AHS committee structure and terms of reference involving the non-hospital surgical facilities program, including meeting agendas, information provided to the committees, and meeting minutes
- contracts with non-hospital surgical facilities, annual report submissions to AHS, and summary reports provided to AHS oversight committees

We conducted interviews with staff involved with the non-hospital surgical facilities program at AHS, the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College.[3] We conducted interviews with medical directors and executive management representatives from four contracted surgical facilities. We also interviewed Department of Health representatives.

We did not examine processes or procedures at contracted surgical facilities, the College of Physicians and Surgeons of Alberta or the Alberta Dental Association and College.

We conducted our field work from March to May 2017. We substantially completed our audit on June 16, 2017.

Conclusion

We conclude that Alberta Health Services has implemented our recommendation by establishing an oversight process to monitor the performance of contracted non-hospital surgical facilities and improving its processes to record and analyze performance information for these surgical facilities.

Why This Conclusion Matters to Albertans

Maintaining safety and achieving appropriate surgical outcomes are imperative, whether the surgery occurs in a hospital or in a contracted facility. AHS is legislatively responsible for ensuring that all of Alberta's surgical services, including those delivered in contracted facilities, meet AHS requirements. Accordingly, AHS must have systems that monitor and manage surgical performance and patient outcomes in contracted non-hospital surgical facilities.

3 Accreditation and approval of non-hospital surgical facilities is done by two professional regulatory bodies. The College of Physicians and Surgeons of Alberta accredits non-hospital surgical facilities, provides practice standards and guidelines and approves the list of procedures that can be performed at these facilities. Dental surgical facilities must be accredited by the Alberta Dental Association and College. The colleges and AHS require the facilities to report critical incidents. They also carry out regular, comprehensive reviews of procedures and the surgical premises.

Findings

Context

Contracted surgical facilities function as agents of AHS for specified insured services—select surgeries where AHS will pay a prescribed facility fee designed to cover the use of equipment, supplies and nursing staff. The surgeon and any other physicians involved with the procedure (e.g., an anaesthetist) are paid separately by the Department of Health on a fee-for-service basis in accordance with the Schedule of Medical Benefits.

AHS is ultimately responsible for the health outcomes of its patients and must report on the results achieved for the public funds it spends. AHS's surgical contracts with non-hospital facilities are governed by the *Health Care Protection Act*, which sets out specific approval and performance reporting requirements. The standard contract with an operator details matters such as infection prevention and control standards to be met by the facility, the incident management process and mandatory reporting requirements.

AHS has improved the timeliness of its follow up on incidents reported by contracted facilities.

Our follow-up audit findings

Alberta Health Services has implemented our recommendation. We examined records and information obtained from AHS, a sample of non-hospital surgical facilities, the department and the two regulatory colleges. We found that AHS has:

- established a multidisciplinary provincial oversight committee whose mandate includes reviewing annual reports from non-hospital surgical facilities, and related analysis, to ensure the facilities are meeting appropriate outcomes
- developed an online incident reporting system for use by contracted surgical facilities, improving the timeliness and consistency of incident information collected
- improved the timeliness of its follow-up on incidents reported by contracted facilities
- enhanced the quality of the performance analysis completed by AHS's contract management group for internal use and reporting to the provincial oversight committee
- begun sharing its performance information on surgical facilities and comparing it with similar data obtained by the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College
- improved dialogue with the College of Physicians and Surgeons of Alberta and the Alberta Dental Association and College, which has resulted in discussions about joint inspections of contracted surgical facilities' infection prevention and control procedures

AHS's approach toward implementation of our recommendation was to establish a working group of key stakeholders—representatives from the Department of Health, the College of Physicians and Surgeons of Alberta, the Alberta Dental Association and College, and various AHS standing committees and subcommittees. The working group also considered input from surgical facility operators.

The collaboration involving AHS and the two professional colleges is an important aspect of the work done to implement our recommendation. The new provincial oversight committee is well established in its operations, which we anticipate will continue to evolve as the committee refines its activities in areas such as stakeholder relations and performance metrics for the various types of contracted surgeries.

Alberta Health
Primary Care Networks

October 2017

About This Audit

The Primary Care Network (PCN) program is a key initiative funded by the Department of Health. The purpose of this audit was to follow up on the findings and recommendations of our initial audit of the PCN program, reported in July 2012. The focus of our 2012 audit was to determine whether the department and Alberta Health Services (AHS) had adequate systems in place to manage the PCN program.

The department launched the PCN program in 2005. By April 2017, there were 42 PCNs operating across the province. PCNs have approximately 3,800 family physician members and employ over 1,400 full-time-equivalent non-physician healthcare providers to deliver primary care services to 3.6 million Albertans. The department expects to pay PCNs a total of $240 million in 2017–2018 and has provided over $1.5 billion in direct funding to PCNs since the program began.[1]

A PCN is created by a joint venture agreement between Alberta Health Services and the physician members of the PCN. Historically, AHS and the former regional health authorities had little operational contact with the practice of primary care by family physicians in the community. Before PCNs, there was no formal mechanism for AHS and physicians to jointly plan and coordinate the delivery of primary care. One of the goals of the PCN program was to help improve this integration.

PCNs have approximately 3,800 family physician members, and employ over 1,400 full-time-equivalent non-physician healthcare providers to deliver primary care services to 3.6 million Albertans.

Patient Medical Home

PCNs comprise groups of family physicians working with other healthcare professionals such as nurses, nurse practitioners, dietitians, pharmacists, social workers and mental health professionals. The department's overarching goal for the PCN program is to help primary care in Alberta transition to a patient medical home model of care.[2]

The patient medical home features a multidisciplinary care team working with one or more family physicians to provide comprehensive primary care to a defined panel of patients. It functions as a patient's "home" in the healthcare system because it provides continuity of care over time, and care coordinators help patients move through other parts of the healthcare system including acute and continuing care.[3] It is the foundation of the Alberta Primary Health Care Strategy released in 2014, and it is endorsed by the College of Family Physicians of Canada, the department and PCNs.

It is important to understand the PCN program in the context of primary care as a whole in the province. The department provides PCNs with annual funding of $62 for each patient that the department attributes to a physician member of the PCN, or between $62,000 and $93,000 for an average physician patient panel of 1,000 to 1,500 patients.[4] After paying basic administration costs, PCNs generally have funding for less than one full-time-equivalent multidisciplinary care provider per physician, as borne out by the

1 These amounts exclude PCN program administrative costs incurred internally by the department and AHS. The costs of the PCN program do not include the $1.5 billion the department expects to pay as compensation to primary care physicians in 2017–2018, or the $2.4 billion AHS expects to spend on community-based care, promotion and prevention, and home care services.

2 See http://aimalberta.ca/index.php/why-work-with-aim/patients-medical-home/.

3 In the United States, both private insurers and publicly funded programs are demonstrating that patient medical homes are achieving significant improvements in cost, utilization, population health, prevention, access to care, and patient satisfaction relative to non-medical home care. See for example *The Medical Home's Impact on Cost & Quality: An Annual Update of the Evidence, The Patient-Centered Primary Care Collaborative*, 2014, Executive Summary, page 6.

4 From 2005 to 2011, PCNs received funding of $50 per patient allocated to member physicians. In 2012, PCN per capita funding was increased to $62.

current overall ratio of less than one multidisciplinary team member for every two PCN physicians. This ratio is lower than evidence suggests as best practice for a patient medical home.[5]

The department's own analysis shows that a patient medical home generally functions most effectively when care teams work in clinics with a ratio of three or more multidisciplinary care providers per physician, with five or more physicians in the clinic.[6] The PCN program is meant to help primary care evolve toward the patient medical home model by introducing multidisciplinary care providers into family physician practices and promoting patient engagement and quality improvement.[7]

PCN Challenges and Opportunities

PCNs face challenges. Physician membership in PCNs is voluntary, meaning not all family physicians are members of a PCN, and physicians can withdraw at any time. Moreover, family physicians and patient populations are not homogeneous—practice sizes range from sole practitioners to large, multi-physician clinics,[8] and the extent to which they use technology such as electronic medical records varies widely.[9] Patient populations range from high-density urban centres to small communities and rural areas, with diverse local needs.

A core strength and source of pride for PCNs has been their ability to provide "local solutions for local needs."

Introducing care teams into practices where family physicians have traditionally been the sole provider, and engaging patients to be active participants in their care, are adaptive challenges that require learning and changes in behaviour.[10] In addition, family physicians have practical limitations in terms of their ability to effectively add part-time team members (e.g., one day per week) to practices that operate on a full-time basis.

To meet these challenges, many PCNs have adopted a "hub-and-spoke" or "hybrid" model of care delivery, which involves creating one or more central locations with large, diverse care teams (i.e., hubs), with some distribution of care team members to individual clinics (i.e., spokes), and the opportunity for all clinics in the PCN to refer patients with complex primary care needs to a central location. PCN services (e.g., after-hours clinics, diabetes care, healthy living) are also centrally located in many cases, with patients referred to the central service by their physician.

A core strength and source of pride for PCNs has been their ability to provide "local solutions for local needs." At the same time, the geographic dispersion of PCNs and the lack of a coordinating governance structure across PCNs created challenges in standardizing services and spreading innovation.

5 Wranik and Hanrahan, Alberta Health, *The Compensation and Management of Interdisciplinary Primary Health Care Teams in Alberta*, 2012, pages 36-39.

6 See our September 2014 report, *Chronic Disease Management*, page 20.

7 Other initiatives designed to promote patient medical homes in primary care include the Crowfoot Village Family Practice in Calgary, the Taber Clinic in southern Alberta, and the plan by the department and Alberta Medical Association to launch five blended capitation pilot clinics in 2017, followed by 10 more pilot clinics in 2018.

8 We examined physician claims data for 2015-2016 and found that more than half of PCN physician clinics have only one or two family physicians, including approximately one-third of PCN clinics where physicians are sole practitioners.

9 Alberta Medical Association, *PCN Evolution—Final Report: April 1, 2014 to March 31, 2016*, March 2016, page 12.

10 Alberta Health, *Alberta Primary Health Care Strategy*, 2014, page 5.

PCN Governance Structure

In June 2017, PCNs and PCN physicians ratified a new PCN governance structure proposed by the department. The new structure consists of five PCN zone councils that will serve as forums for PCNs and AHS to collaborate in joint planning of primary care services in each zone through the creation of zone service plans that will provide direction to the individual PCN business plans in the zone.[11]

A PCN Provincial Committee will consolidate the work of the zone councils and act as liaison in bringing primary care issues to the minister's attention.[12] Through the Provincial Committee and zone councils, the minister and the department will also be able to communicate their priorities and expectations to the PCNs. See Appendix C.

The department plans to expand the new governance structure to bring other providers who are closely related to primary care into a joint primary care planning process (e.g., AHS Mental Health services and AHS Home Care services). The department has indicated it may distribute a portion of federal funding for mental health and home care to PCNs. The new governance structure also provides opportunity to shift PCN funding from the current per capita allocation method to a population-based model that considers local health needs.[13]

Audit Objective and Scope

The objective of our follow-up audit was to determine whether the department and AHS have implemented our five previous recommendations on the PCN program.

In 2012, we recommended that the department improve its systems to:

- establish clear expectations and targets for each of its PCN program objectives, and develop systems to evaluate and report performance of the PCN program
- proactively inform Albertans which PCN they have been allocated to for funding purposes, and what services are available through their PCN
- provide information and support to help PCNs and Alberta Health Services achieve PCN program objectives
- obtain assurance that PCNs are complying with the financial and operating policies of the PCN program, and ensure PCN surplus funds are used in a timely and sustainable manner

In 2012, we also recommended that AHS, within the context of its provincial primary care responsibilities, improve its systems to define goals and service delivery expectations for its involvement in PCNs, define performance measures and targets, and evaluate and report on its performance as a PCN joint venture participant.

11 There are five zones in the province (North, Edmonton, Central, Calgary and South), corresponding to the divisions AHS uses to manage many of its services.

12 Zone council members include the AHS senior zone lead, PCN zone physician lead, a patient/community representative, and one or more other members to be determined. PCN Provincial Committee members include five department representatives, the five AHS senior zone leads and five PCN zone physician leads, two AHS Primary Health Care representatives, and one AMA PCN Program representative.

13 PCN Physician Leads Executive, *PCN Governance Framework – Frequently Asked Questions*, June 2017, page 6.

What We Examined

Our examination included interviews with management and staff members of the department, AHS, and the Health Quality Council of Alberta. We reviewed the business plans and annual reports of all 42 PCNs for the 2015–2016 fiscal year, and information from various other sources for 2016–2017 as indicated in our report. We also analyzed data on physician claims and PCN funding allocations for the 2015–2016 year. We conducted our field work between December 2016 and May 2017, and substantially completed our audit on June 30, 2017.

We did not audit the work of family physicians or individual PCNs. We met with management from eight PCNs to understand their business operations, systems and perspectives on PCN effectiveness. We did not audit systems at the PCN Program Management Office, but we met with management to understand their role and perspective on PCN accountability.[14]

As part of this audit, we did not audit or verify the completeness or accuracy of information that PCNs report to the department, and we did not assess whether the patient or service data in the information systems of the department, AHS or the PCNs is complete or accurate.

Our work was conducted under the authority of the *Auditor General Act* and in accordance with the standards for assurance engagements set out in the CPA Canada Handbook—Assurance.

Conclusion

In our opinion, the department, AHS and PCNs, collectively, have taken sufficient action for us to conclude that, as of June 30, 2017, the department had implemented our four recommendations to improve its systems to manage the PCN program, and AHS had implemented our recommendation to improve its systems to measure and report the effectiveness of its partnership in PCNs.

In the past five years, the department, AHS and PCN physicians have worked together to make important progress in the PCN program. They have built a more effective governance structure for the program, advanced patient-physician relationships through formal attachment, improved the information and technical supports available to individual PCNs, and strengthened financial management and controls. These actions meet the underlying intent of our 2012 recommendations. However, the healthcare sector's understanding and awareness of how PCNs, and primary care in general, should evolve has also progressed considerably since 2012.[15] The department, AHS and physicians recognize that more work is needed to fulfill the objectives of the PCN program. To help the department and PCNs continue to advance the program in a structured and timely manner, we are providing two new recommendations:

- We recommend that the department, through its leadership role in the PCN governance structure, work with the PCNs and PCN physicians to agree on appropriate targets for each PCN program performance measure, require PCNs to measure and report results in relation to the targets, and develop a formal action plan for public reporting of PCN program performance.

14 The Program Management Office is funded by the department and administered by the Alberta Medical Association. Its main role is to assist PCNs in preparing their business plans, budgets and annual reports.

15 Key directional documents include the *PCN Evolution Vision and Framework* in 2013, the *Alberta Primary Health Care Strategy* in 2014, Toward Optimized Practice's *Guide to Panel Identification* in 2014, and the four new objectives for the PCN program developed in 2016.

- We recommend that the department, through its leadership role in the PCN governance structure, require PCN physicians to complete the established patient attachment process, set appropriate timelines for completing this process, and agree on the best approaches for engaging Albertans as active participants in their own care and explaining the PCN services available to help them achieve their health goals.

Why this Conclusion Matters to Albertans

Effective primary care is the foundation of a high-performing healthcare system. It is critical for preventing acute illness and effectively and efficiently managing chronic disease. By focusing on health promotion and disease prevention, primary care can help to identify illness at its onset and minimize its severity. Effective primary care can improve health outcomes and reduce the demand on more expensive services such as hospitals, emergency departments and long-term care facilities.

PCNs can contribute to advancing primary care by helping family physicians to build teams of healthcare providers and apply evidence-based good practices at the point of care. PCNs can help integrate family physicians with AHS in the delivery of primary care, and can be a vital link connecting family physicians and care teams with patients, specialists and researchers.

PCNs have increasingly demonstrated their potential to drive improvement in primary care and the healthcare system as a whole. The significance of the PCN program to the healthcare system underscores the importance of setting clear objectives and performance measures for the program and reporting on results achieved.

Effective primary care is the foundation of a high-performing healthcare system.

Findings and Recommendations

PCN program evaluation—recommendation implemented, with new recommendation for further action

Context

At the inception of the PCN program, the department established five key program objectives:

- **Access**—increase the proportion of Albertans with ready access to primary care.
- **24/7 care**—provide coordinated 24-hour, 7-days-per-week management of access to appropriate primary care services.
- **Prevention and chronic disease management**—increase emphasis on health promotion, disease and injury prevention, and care of patients with complex health conditions and chronic diseases.
- **Integration**—improve coordination and integration with other healthcare services, including hospitals and long-term care, through specialty care links to primary care.
- **Team-based care**—facilitate greater use of multidisciplinary teams to provide comprehensive primary care.

In 2016, the department defined four new objectives for the PCN program that are consistent with, and build upon, the initial objectives:[16]

- Accountable and Effective Governance
- Health Needs of Community and Population
- Patient Medical Home
- Strong Partnerships and Transition of Care

Performance measurement is necessary to understand the extent to which PCNs are achieving these objectives. Performance measurement is important at three levels:

a) Individual family physicians and clinics: performance measurement helps providers understand the quality of the services they are providing. Evaluation helps identify opportunities for improvement and see whether changes are improving service delivery. The point of care is arguably the most important level at which performance measurement needs to occur because it has the most direct impact on patient outcomes.

b) PCNs: performance measures help managers and providers understand the value of PCN services. This informs quality improvement efforts and resource allocation decisions and helps form the basis of accountability for achieving the results expected by the department and PCN patients.

c) The department: the department needs the cumulative performance measure results from physicians and PCNs to assess the extent to which the PCN program is achieving its objectives on an overall basis. Performance measures supply the information the department needs to demonstrate accountability for the results achieved for the public investment in this program. Publicly reported performance can also help patients make informed choices about services that may benefit them and understand how the quality of the services they receive compares with services offered by other providers.

16 The new objectives were formally endorsed by the PCN Committee established under the PCN Consultation Agreement, which is an element of the master agreement between the department and the Alberta Medical Association. The Committee is chaired by the department, with five representatives from the AMA's PCN Physician Lead Executive, three representatives from AHS, and two additional representatives from the department.

Our 2012 audit revealed that the department had not set service delivery expectations, performance measures or targets for any of the PCN program objectives. The department and AHS had each done work on performance evaluation, but the work was fragmented and did not constitute an adequate performance evaluation system for the program. For example, the department's annual report provided the public with only basic statistics on the number of PCNs in the province, the percentage of Albertans allocated to a PCN physician for funding purposes, and the percentage of family physicians who are members of a PCN.

In 2012, no standardized information was required or generated across PCNs to provide the basis for program-wide analysis. Many PCNs were working to develop their own evaluation systems to manage their clinical programs. As a result, there were multiple different PCN systems that did not share common performance measures and rarely had targets. We also noted that individual PCNs were expending significant effort to develop performance measurement systems on their own, because there were limited channels for collaboration with other PCNs.

We recommended that the department establish clear expectations and targets for each of the PCN program objectives, and develop systems to evaluate and report performance of the PCN program.

Criteria: the standards of performance and control
The department should:

- provide clear objectives for PCNs, and review and approve additional objectives that may be proposed by the PCNs if they will help achieve the department's goals
- provide or approve performance measures and targets for each objective of the PCN program. Measures and targets should be:
  - clearly linked to funding provided for key programs and services to be delivered by PCNs
  - specific, meaningful, reasonable and, where possible, focused on patient outcomes
  - used to report publicly on the overall performance of PCNs for funds spent, including outputs and, where possible, improvements in patient outcomes

Our follow-up audit findings

Key Findings

- Some individual physicians and PCNs have made significant progress in measuring their performance, but these advancements are not consistent across the province.
- The department has established nine key performance measures for PCNs, with three intermediate measures to assess PCNs' progress toward reporting the nine key measures.
- Results reported by PCNs in 2015–2016 show wide variation in physician participation in the three intermediate measures for access, screening and patient satisfaction.
- The department has not set measurable targets for each PCN performance measure and does not report publicly on the extent to which PCN program objectives are being achieved.

Physician-level performance measurement

Performance measurement by individual PCN physicians has advanced considerably since our audit in 2012.[17] Our follow-up audit found many instances where physicians have identified their patient panels and work with care coordinators to make advanced use of electronic medical record (EMR) systems to improve patient care. These EMR systems also collect and report the information that physicians and care teams use to assess the quality of care they are providing.

As we noted in two of our previous reports, there are at least 16 different EMR systems used in primary care in Alberta, and their features and how individual physicians and care teams use these features vary widely.[18] Over 10 per cent of family physicians still use paper records.[19] Lack of a unified provincial approach to adoption and optimization of EMRs remains a formidable barrier because performance measurement at the PCN program level requires accumulating the detail for each measure from individual physician records.

PCN-level performance measurement

Our review of PCN annual reports for 2015–2016 found that many PCNs have developed systems to measure the volumes and quality of their services (e.g., after-hours clinics, mental health counselling). For example, several PCNs use patients' self-reported health status before and after treatment to determine whether a particular PCN service is effective. In other cases, PCNs are able to cost their services at an individual-patient level to help inform resource allocation decisions, and some use data from AHS to assess the impact PCN services are having on patients' total healthcare utilization.[20] At least two PCNs collect information from physicians to provide them with feedback on their performance relative to other physicians in the PCN—a valuable approach for identifying and promoting good practices.[21]

These are notable accomplishments, in some cases reaching levels of sophistication achieved by the highest-performing healthcare systems in the world.[22] However, much work remains to be done to sustain this momentum and bring the majority of PCNs to this level.

17 Performance evaluation in the PCNs has been led by individual physicians, care teams and PCN managers. They have been supported in this work by the Health Quality Council of Alberta, the PCN Program Management Office, the Toward Optimized Practice (TOP) program funded by the department and administered by the AMA, the Access Improvement Measures (AIM) program administered by AHS and the AMA, the Physician Learning Program administered by the AMA in collaboration with the University of Alberta and the University of Calgary, the AHS-sponsored Measurement Capacity Initiative (MCI), AHS's Data Integration and Management Reporting (DIMR) unit, AHS's Primary Health Care Portfolio at the provincial and zone levels, academics and researchers from Alberta universities, and others.

18 Differences include the extent to which EMR systems provide, and physicians use, clinical decision support tools at the point of care, alerts and reminders for recommended care, and performance reports. See our May 2017 report, *Better Healthcare for Albertans* (page 45–46), and our September 2014 report, *Chronic Disease Management* (pages 37–40).

19 Commonwealth Fund Survey 2015, data table Q24. See https://www.cihi.ca/en/commonwealth-fund-survey-2015.

20 More than a dozen PCNs have participated in the Measurement Capacity Initiative sponsored by AHS, which allows PCNs to access AHS's data to better understand their patients' use of other healthcare resources (e.g., hospitals and emergency departments). AHS's Data Integration and Management Reporting (DIMR) unit has advanced expertise in data collection and analytics and is now working with at least two PCNs to develop new insights and help plan PCN services. For example, DIMR assigns Clinical Risk Groups to every individual in the population based on their historical clinical and demographic characteristics and the projected amount and type of healthcare resources they will consume. PCNs and PCN physicians can now start to use this information for purposes ranging from optimizing physician panel sizes to allocating care team resources across the PCN.

21 Agency for Healthcare Research and Quality, *Confidential Physician Feedback Reports: Designing for Optimal Impact on Performance*, March 2016, page 4. The HQCA's PCN and physician panel reports also provide comparative information to help physicians understand their performance and patient outcomes relative to other PCNs and the province as a whole.

22 We noted several high-performing healthcare systems, and the results they achieving, in our May 2017 report *Better Healthcare for Albertans*. These systems included the U.K. National Health Service, and Kaiser Permanente and Intermountain Healthcare in the United States.

Department-level performance measurement

The department has defined performance measures for the PCN program but has not set targets for these measures. PCNs are not yet measuring and reporting performance information on a consistent and complete basis. As a result, the department is not able to demonstrate the extent to which its objectives for the PCN program are being achieved.

In consultation with the PCNs and AHS, the department has established nine performance measures for the PCNs, together with intermediate measures to track physician participation in monitoring three of these measures.[23] The nine performance measures are generally accepted as appropriate for primary care and align with key pillars of the patient medical home model of primary care. Developing the systems and processes to capture and report these performance measures will help PCNs monitor additional measures in future.

For 2015–2016, the department required PCNs to report three intermediate measures—physician participation in measuring access, offering recommended screening tests and surveying patient satisfaction.[24] Although full participation by physicians is the department's implied objective, it has not set targets for participation rates or timelines for achieving them.

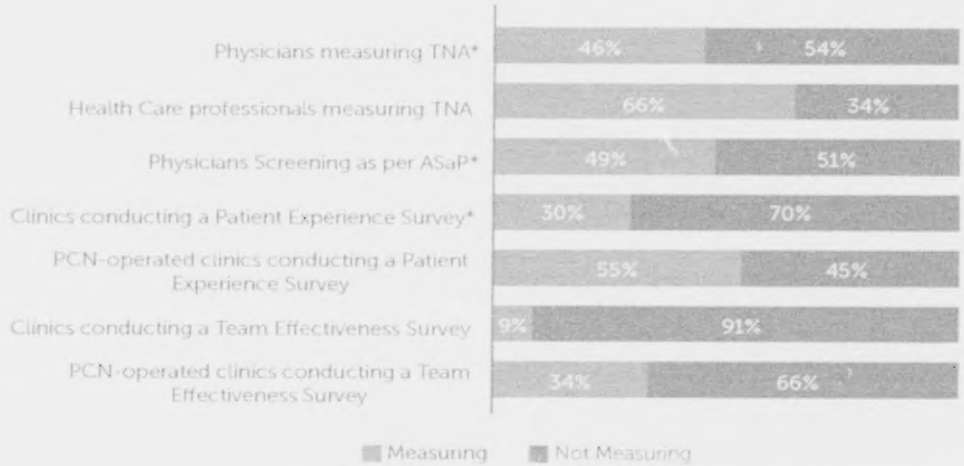
The department has also not set targets for the nine performance measures themselves (e.g., what screening rates should be). Targets will require collaboration with the medical profession to ensure they are appropriate and reasonable. Benchmarking results against medical guidelines and the achievements of high-performing healthcare systems in other jurisdictions will also help to ensure performance targets are meaningful and quantify the potential for improvement.

23 See Appendix 1 for a list of the nine performance measures.

24 Access is measured using a physician's third-next-available appointment time, i.e., the average length of time in days between an appointment request and the third available appointment. The "third-next-available" (TNA) appointment is considered a more accurate reflection of true availability than "next-available" because it is less affected by appointment cancellations. Screening tests include the 11 procedures recommended by the Alberta Screening and Prevention (ASaP) initiative developed by the Toward Optimized Practice program in collaboration with the Alberta Medical Association (e.g., breast, cervical and colorectal cancer screening).

Results to date

Our review of PCN annual reports for 2015–2016 found wide variation among PCNs in their participation in performance measurement, with individual clinics ranging from zero to 100 per cent. At March 31, 2017, the PCN Project Management Office's survey showed that overall participation in monitoring the key indicators was below 50 per cent for five of the seven measures, as shown below:



Source: *PCN Evolution Report March 31, 2017*, PMO, page 10

The wide variation in results between PCNs presents an opportunity for the department to improve performance measurement significantly overall by requiring all PCN physicians to move to the level achieved by the highest performers.

Public reporting

The department has not reported PCN performance information. Given the current rates of physician participation in measuring the key indicators requested by the department, it may be some time before PCNs as a whole are providing the information necessary for the department to report publicly.

There is potential for reports developed by the Health Quality Council of Alberta to form part of future reporting by the department on the effectiveness of the PCN program. The HQCA reports are currently used to help individual physicians, clinics, PCNs and AHS zones understand their performance relative to their peers and the province as a whole.

Conclusion

We recognize that the department has made a substantial effort to collaborate with PCNs and AHS to establish a performance measurement framework for the PCN program. We also recognize that individual physicians and PCNs have significantly advanced performance measurement at their respective levels. In our opinion, the intent of our 2012 recommendation has been met and the recommendation is implemented.

However, we have also concluded that significant work is needed to build on the accomplishments to date. A next step for the department will be to work with PCNs, PCN physicians and AHS to agree on reasonable targets for the program performance measures, and require PCNs to report results on a consistent and timely basis. The department also needs a formal action plan with defined responsibilities and timelines for reporting publicly on the extent to which PCNs are achieving program objectives. A key consideration for public reporting will be the level of detail at which performance information will be most meaningful (e.g., province-wide, by zone, or by PCN). The new PCN governance structure provides an opportunity for the department to take a strong leadership role in these areas.

RECOMMENDATION: Evaluate PCN effectiveness

We recommend that the Department of Health, through its leadership role in the PCN governance structure, work with the PCNs and PCN physicians to:

- agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets
- develop a formal action plan for public reporting of PCN program performance

Consequences of not taking action

Without adequate systems to measure performance, the department cannot evaluate the results of the PCN program to make informed decisions on what is working well in the program and what needs to improve. The department will also lack the information needed to report to Albertans on the results achieved for the significant public investment in this program.

Informing Albertans about their PCN—recommendation implemented, with new recommendation for further action

Context

In primary care, the concept of patient attachment is fundamental to establishing the doctor-patient relationship and the continuity of care flowing from that relationship.[25] Attachment involves a patient formally acknowledging that a particular physician is their primary physician.[26] Collectively, attached patients form a physician's patient panel.

25 In some cases, a PCN physician may work in a walk-in clinic where the episodic nature of patient visits may make panelling less important. In other cases, physicians in small clinics may lack the EMR systems and support staff to facilitate panelling.

26 The *Guide to Panel Identification for Alberta Primary Care* states that formal acknowledgement can be as simple as answering "Yes" to the question "Is Dr. X your family physician?" The guide was issued in April 2014 by a collaborative composed of the Toward Optimized Practice (TOP) program, the Access Improvement Measures (AIM) program, the Alberta College of Family Physicians, the Alberta Medical Association's Practice Management Program and Physician Learning Program, AHS, the PCN PMO, the HQCA, and the University of Alberta's Department of Family Medicine.

Patient attachment has several potential benefits:

- Attachment is the basis of patient-centred care and promotes continuity of care.[27] It helps physicians and care teams engage with patients on a one-on-one basis to understand their needs and preferences, and explain the services they need to help them meet their personal health goals over time.[28] Attachment is therefore foundational to the process of informing Albertans about the services their PCN provides.
- As attachment evolves, it can move beyond simple acknowledgement of the doctor-patient relationship to become the basis for agreement between the patient and their physician, helping patients understand the benefits of attachment and defining the reasonable expectations and responsibilities of both parties. For example, a physician and care team may offer to work with the patient to develop a care plan and provide treatment, and the patient will be expected to follow the plan.[29]
- Attachment provides the foundation for panel management in primary care. Panel management is a structured process for monitoring the care needs of patients on the panel and proactively offering them care such as screening, testing or other services.[30] Attachment thus forms the basis for performance measurement and quality improvement by establishing the patient population for which each physician and PCN is responsible.
- Attachment is a prerequisite for participation in alternative physician compensation plans in primary care, such as blended capitation models where compensation is based on a clearly identified patient panel.[31]

The doctor-patient relationship has always been a cornerstone of primary care, but the concept of formal attachment is relatively new in Alberta. Physicians typically require two to three years to confirm their patient panel for the first time because it takes this long for all their patients to cycle through their office. The process must be ongoing to keep the panel current.

Historically, the department has funded PCNs on a per capita basis that tries to approximate the number of patients on the panels of the physicians in each PCN. The department allocates funding to a PCN based on patients' visits to the family physicians in that PCN over the previous three years. Our 2012 audit found that the department was not informing Albertans which physician it had allocated them to for funding purposes or which PCN that physician belonged to. Partly as a result, we found that general public awareness of the benefits and costs of PCNs was low. This also meant Albertans were not able to hold physicians or PCNs accountable for providing them with the services that PCNs were being funded to provide.

27. College of Family Physicians of Canada, *Best Advice – Patient-Centred Care in a Patient's Medical Home*, October 2014, page 2.
28. *PCN Evolution Vision and Framework – Report to the Minister of Health*, December 2013, pages 8 and 12, and Toward Optimized Practice, *Guide to Panel Identification*, April 2014, page 3.
29. Toward Optimized Practice, *Coordinated Approach to Continuity: Attachment and Panel in Primary Care*, March 2014, page 2.
30. *PCN Evolution – Evolving PCNs*, December 2013, page 5, and *Best Advice – Patient Rostering in Family Practice*, College of Family Physicians of Canada, November 2012, page 4.
31. See footnote 6.

Our 2012 audit also found that the department was not informing physicians which patients it had allocated to them for PCN funding purposes. As a result, PCN physicians were not able to verify whether the department's funding process accurately reflected their patient panels. PCN physicians need to know which patients they are receiving funding for to properly plan the delivery of services and to be accountable for the results of those services. We also found that the department was not informing AHS which patients it had allocated funding for to each PCN—without this information AHS was not able to fully assist PCNs in service planning or evaluation.

We recommended that the department proactively inform Albertans which PCN they are allocated to for funding purposes and what services are available through that PCN. We also recommended the department provide information to help PCNs and AHS achieve program objectives by identifying the patients it had allocated to each PCN for funding purposes.

Criteria: the standards of performance and control

The department should clearly define the accountability relationships and reporting requirements for all parties involved in managing PCNs.

Our follow-up audit findings

Key Findings

- The department has set formal patient attachment as a PCN program objective and has provided guidance to PCN physicians to help them establish their patient panels.
- More than half of PCN physicians have established their patient panels or are actively working to do so.
- Some PCNs and PCN physicians inform their patients about PCN services and engage patients as partners in their own care, but these practices are not strong across all PCNs.

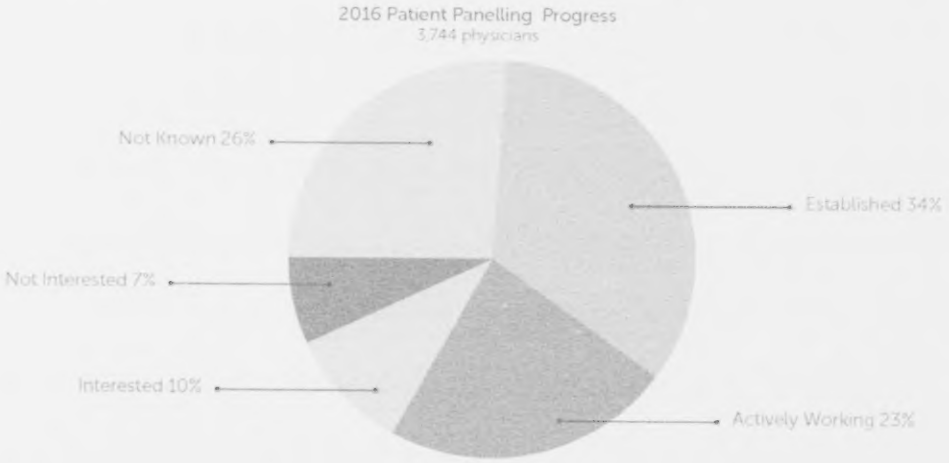
Patient attachment

The department has made patient attachment a priority. Since August 2014, the department has provided guidance through the Toward Optimized Practice program and the Access Improvement Measures program to help family physicians make attachment a reality.[32] Attendees at TOP and AIM training sessions have included physicians, nurses, medical office assistants, panel coordinators and PCN staff. Over 3,000 participants from more than 80 per cent of PCNs have attended one or more sessions on panelling.[33]

32 Several entities and programs are available to help PCNs and individual physicians with panelling, panel management, evaluation and quality improvement. In addition to TOP and AIM, both the PCN Project Management Office and the Health Quality Council of Alberta are actively involved in this area.

33 In addition, 95 per cent of PCNs and over 200 participants have attended TOP and AIM improvement facilitation sessions, while 50 per cent of PCNs and more than 700 participants have attended workshops to optimize their use of electronic medical records.

As shown below, more than a third of PCN physicians have established their patient panels, and a further one-quarter of PCN physicians are actively working to do so:[34]



Patient panels can also help form a more accurate and transparent basis for PCN funding than the current allocation method, and patient panels can be used as part of joint planning of primary care services by PCNs and AHS at the local, zone and provincial levels. The department also plans to use patient panels as a basis for measuring primary care quality.

The department is currently developing a central patient panel registry system. The purpose of this registry will be to help identify and resolve apparent duplication of individual patients on more than one physician panel, and to help inform population-based PCN funding and resource allocation decisions going forward. The department expects the system to be completed by December 31, 2017.

Unattached patients

The best way to manage the care of unattached patients is an open question. While some unattached patients may not require or want a family physician, others could clearly benefit from attachment. For example, our audit of chronic disease management in 2014 found there were over 490,000 Albertans who were not attached to a family physician, including more than 16,000 who were known to be suffering from one or more chronic diseases.

AHS is the default provider for unattached patients, but delivers care on an episodic basis and only when these patients come in seeking service. AHS indicated it would work with PCNs to help these patients become attached to a PCN physician in their community. However, the department's PCN review in 2016 found that only half of the PCNs reported having specific initiatives in place to connect unattached patients with one of their member physicians.[35]

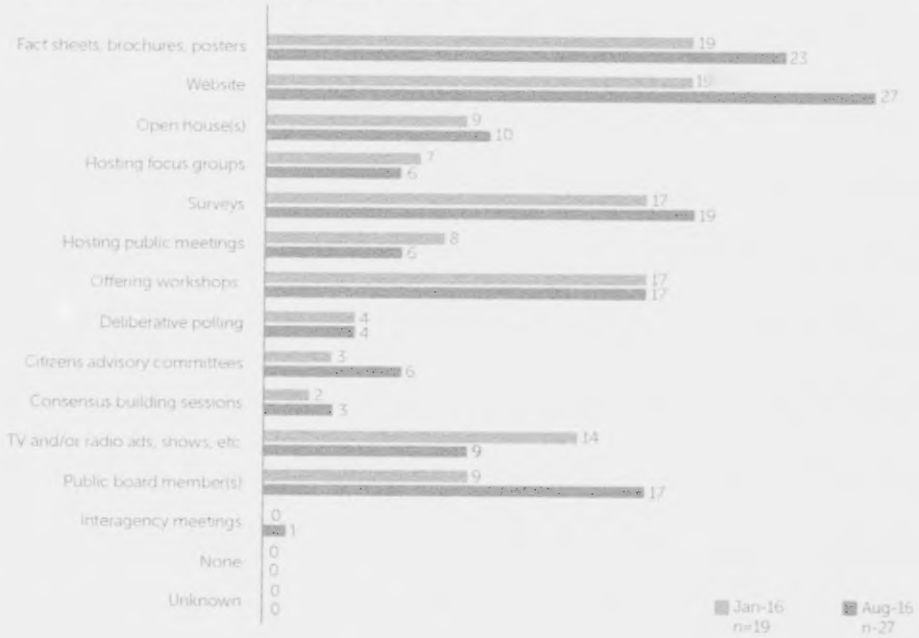
34 Data from Toward Optimized Practice, *Building Capacity for Primary Care Transformation – Highlights Report*, March 2017, combined with April 2016 PCN funding data from the department.

35 Alberta Health, *Primary Care Networks Review*, June 2016, page 7.

Public awareness of PCN services

We found that many PCNs are using various strategies to raise public awareness that they exist and to promote their services. However, discussions of PCN services must also take place at the individual-patient level if they are to be effective, and we do not see evidence that this is occurring on a widespread and consistent basis across the PCNs.

In 2016, the PCN PMO reported that a sample of PCNs indicated they were using the following community engagement strategies:



Source: *PCN Evolution Report December 31, 2016*, PMO, page 11

The department informed us it also plans to work with IMAGINE—Citizens Collaborating for Health to help Albertans understand patient attachment and health home concepts, and provide feedback to inform these processes going forward.[36]

Conclusion

We recognize that the department has made substantial efforts to support PCNs in the formal patient attachment process as a foundation for patient medical homes and informing Albertans about the services available from their family physician and PCN. We also recognize that many individual physicians are engaging their patients through formal attachment, and PCNs are using various means to promote public awareness of their services. In our opinion, the intent of our 2012 recommendation has been met and the recommendation is implemented.

36 IMAGINE is a not-for-profit initiative whose goals are to expand and enrich citizen participation in healthcare. See http://imaginecitizens.ca/.

However, we have also concluded that much work is needed to build on the accomplishments to date. A next step for the department will be to require PCN physicians to complete the established patient attachment process within an appropriate timeframe.[37] The basic panelling process (i.e., "is Dr. X your family physician?") also needs to be supplemented with information to help Albertans more fully understand the services that may be available to them through their patient medical home and their PCN.[38]

The real challenge will not be simply telling Albertans what services are available, but engaging them as active participants in their own care and helping them understand the patient medical home and PCN services in that context.[39] This will require a cultural shift from patients seeing themselves as passive recipients of care to patients understanding they must accept responsibility for being active partners in generating better health outcomes for themselves.[40]

The department, AHS, PCNs and physicians will need to help educate patients about their health conditions and risks, and the treatment options and lifestyle choices that will influence their health outcomes.[41] Strategies will be required to increase patient participation in their own care—for example, through interactive discussions and providing patients with access to view and contribute to their personal health records.[42] The new PCN governance structure provides an opportunity for the department to provide leadership in this area.

RECOMMENDATION: Informing Albertans about PCN services

We recommend that the Department of Health, through its leadership role in the PCN governance structure, work with PCNs and PCN physicians to:

- require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process
- agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals

Consequences of not taking action

If patients are not engaged to understand who their family physician is, what services are available through their patient medical home and their PCN, and how they can access those services, there is significant risk that key benefits of the PCN program will not be fully realized. As one PCN told us, "patients themselves are the largest untapped resource in primary care."

37 The established process is described in TOP's *Guide to Panel Identification for Alberta Primary Care* (see footnote 26).

38 As collaborative initiatives under the new PCN governance structure evolve, patients may also gain access to a broader "community" of primary care providers, including the services of other PCNs and AHS.

39 Patient engagement is a key theme of our reports *Better Healthcare for Albertans* (May 2017) and *Chronic Disease Management* (September 2014).

40 The Alberta Primary Health Care Strategy (2014) states that a core primary care service that should be available to Albertans through their medical home is individual and family engagement. This includes capacity building within primary care to support patients' self-management of their health, and processes to effectively engage individuals and families in planning for, and taking accountability for, their own health. The U.K.'s National Health Service formally recognizes patients as experts in their own healthcare and mandates that providers support and educate patients to help them self-manage their conditions (see *Involving People in Their Own Health and Care: Statutory Guidance for Clinical Commissioning Groups and NHS England*, page 10).

41 *Best Advice—Health Literacy in the Patient's Medical Home*, May 2016, page 1.

42 See our September 2014 report on *Chronic Disease Management*, pages 41–42, and College of Family Physicians of Canada, *Best Advice—Patient-Centred Care in a Patient's Medical Home*, October 2014, page 5.

AHS's joint venture role in PCNs—recommendation implemented

Context

AHS is the largest single provider of primary care services in the province. In 2015–2016, AHS spent $1.2 billion on community-based care programs, $360 million on promotion and prevention programs, and $570 million on home care programs. A portion of AHS's costs for diagnostic and therapeutic services, emergency services, laboratory services and ambulance services also involves or supports primary care delivery.

AHS's main role in primary care is to fill gaps and supplement the primary care services provided by family physicians. For example, it fills gaps by establishing community health centres and Family Care Clinics to provide services to patients who do not have a family physician. AHS supplements PCN services by providing specialized primary care services (e.g., mental health clinics, chronic disease management) for patients whose conditions are more acute than a family physician clinic may be able to deal with effectively. As PCN clinics evolve to provide more comprehensive services under the patient medical home model, they may begin to take on some of AHS's traditional role in specialized primary care.

A major goal of the PCN program is to improve the integration of primary care services provided by family physicians and AHS. To facilitate this integration, each PCN has been structured as a joint venture, with AHS and the collective physician members of the PCN as equal partners. This structure is designed to provide AHS with opportunities to:

- collaborate with family physicians to help patients transition between primary care and acute care
- engage family physicians to increase their awareness of the impact their decisions have on the overall utilization and cost of healthcare services
- improve the effectiveness of primary care, with resulting benefits in AHS's acute care, emergency departments and other healthcare service areas

Our 2012 audit found that AHS was not capitalizing on these opportunities. In part, this was because the daily operations of PCNs are under the control of family physicians, with AHS participating mainly at the governance level on PCN boards. We found that AHS had not defined clear objectives, performance measures or targets for its partnership in PCNs, and did not provide meaningful performance reporting on the results of this partnership to its board or the public. For example, we noted that the extent and quality of the data AHS used in working with physicians to plan and evaluate PCN services could be improved by making greater use of data on the utilization of hospital, emergency, laboratory and other services.

We also noted that the degree of co-operation and integration between AHS and PCNs varied widely across the province, and even between PCNs within the same zone. In some cases, AHS and PCNs had strong working relationships, including co-located staff members. At other PCNs, the two parties had little interaction or coordination.

We recommended that AHS, within the context of its provincial primary care responsibilities, define goals and service delivery expectations for its involvement in PCNs, define performance measures and targets, and evaluate and report on its performance as a PCN joint venture participant.

Our follow-up audit findings

Key Findings

- AHS prepares an annual Primary Health Care Operational Plan that defines goals, performance measures, targets and timelines for its involvement in PCNs.
- AHS's Primary Health Care Portfolio provides annual reporting to AHS senior management on the achievement of the objectives set out in the operational plan.
- The PCN governance structure formally established in 2017 provides a strong framework for AHS and PCNs to coordinate the planning of primary care service delivery.

Objectives, targets and performance measurement

AHS's goals for its involvement in PCNs are to see that its own primary care services align with those of PCNs, and that collectively AHS and PCN primary care services contribute to achieving AHS's objectives for the healthcare system overall. AHS's business plan for 2016–2017 sets out its objectives for the primary care services it provides, including the services provided through its joint venture partnership in PCNs.

AHS has now set performance measures and targets for primary care, including early detection of cancer, surgery readmissions, and average length of patient stay in hospital versus expected stay. AHS also reports hospitalization rates for ambulatory sensitive conditions and the percentage of emergency department or urgent care visits for health conditions that could be managed appropriately at a family physician's office. These measures are widely recognized as key indicators of the effectiveness of a healthcare system's primary care services.

AHS's Primary Health Care Portfolio develops an annual operational plan that identifies key priorities including AHS's PCN involvement, together with actions, timelines and specific responsibilities within the business unit for their completion. Actual results are reported to AHS senior management annually. Key measures of success are provided for each action.

PCN governance structure

The new governance structure approved in 2017 provides a strong framework for advancing the integration of AHS and PCN primary care service delivery. This integration may occur between the PCNs in each zone and between the PCNs and AHS.[43]

The new governance structure formalizes collaborative efforts that were already occurring in some zones. For example, the Calgary Zone Council was formed in 2012 with representatives from all seven PCNs in the zone, plus representatives from the Calgary zone of AHS's Primary Health Care Portfolio. A key directional document produced by this zone council is the Calgary Zone Primary Care Action Plan, which identifies key priority areas for collaborative delivery. Similar collaboration began in the Central zone in 2014.

43 Integration between PCNs could mean one PCN delivers a service (e.g., diabetes care) and another PCN delivers a different service (e.g., pre-natal care), with patients from both PCNs being referred to either service. Another example could be a shared service (e.g., after-hours clinic), with two or more PCNs contributing resources and supplying staff on a rotational basis. Such efforts could help broaden the scope of services available to patients and improve efficiency through economies of scale. Coordination with AHS could work in a similar way, with PCNs and AHS dividing service delivery between them or consolidating services as circumstances indicate.

Information to support PCN planning

We found that the quality of the data AHS uses to work with physicians in planning and evaluating PCN services has improved significantly since 2012. For example, AHS is starting to make greater use of data on the utilization of hospital, emergency, laboratory and other health services. This information is being made available to PCNs through the Measurement Capacity Initiative and AHS's Data Integration and Management Reporting (DIMR) business unit. Three PCNs (one from the Central zone, one from the South zone and one from the Edmonton zone) are among the first to share their physicians' patient panels with AHS to determine the total healthcare system utilization and costs for their patients.

Challenges and opportunities

Our 2012 audit found wide variation in the degree of co-operation between PCN physicians and AHS as joint venture partners in PCNs. The department's review of PCNs in 2016 also found that PCNs reported relationships with AHS ranging from excellent to requiring significant improvement.[44] Our follow-up audit found these relationships have generally improved across most PCNs, reflecting what both AHS and PCNs indicated to us was greater trust between them, but there is room for further advancement in this area. Both parties emphasized that building this trust takes considerable time and effort—it cannot simply be mandated.

Future challenges and opportunities for integration between AHS and PCN physicians also lie in the area of population health planning. For example, PCN zone councils currently focus on selected areas where they believe greater collaboration will be beneficial. Going forward, there is a need for PCNs and AHS to assess jointly the primary care needs of communities in a comprehensive way to inform the efficient allocation of their resources.

PCN program supports—**recommendation implemented**

Context

To effectively plan and evaluate their services, and to be effective stewards of healthcare resources, PCNs and PCN physicians need information on the patients they serve, such as:

- demographics and chronic conditions (available from the department and AHS)
- frequency and cause of emergency department visits (available from AHS)
- frequency and length of hospitalizations (available from AHS)
- frequency of visits to other healthcare providers (available from the department and AHS)
- how the services their patients receive compare with services provided by other physicians (e.g., screening rates for preventable diseases)

For example, if PCN physicians participate in discharge planning and follow-up care for their patients leaving hospital, it would be useful for the physicians to know if this is helping to reduce unplanned readmissions for these patients, and if so, which patients benefit most.

In our 2012 audit, we found that data sharing between the department, AHS and PCN physicians was limited, and systems to share data were not well developed. We also found that the department was not capitalizing on opportunities to help guide and support PCN planning and evaluation efforts.

44 Alberta Health, *Primary Care Networks Review*, June 2016, page 44.

We recommended that the department improve its systems to provide information and support to help PCNs achieve the program's objectives.

Our follow-up audit findings

Key Finding

- The department, AHS, the HQCA and other publicly funded programs collectively provide PCNs the information they need to understand their patient population needs and to plan services accordingly.

We found that the department, AHS and the HQCA have moved to fill the previous void in data available to PCNs for planning and evaluation purposes. In contrast to the lack of key information provided to PCNs in 2012, our follow-up audit found:

- The department publishes detailed community profile information for 132 local geographic areas covering the entire province.[45] Profiles include demographic information, socio-economic status, chronic disease prevalence, frequency of and reasons for emergency department visits, including conditions potentially treatable in a family physician's office, frequency and length of hospitalizations, and other information relevant to planning primary care services in each community. The department also publishes PCN profiles that provide the same types of information as the community profiles, based on the patients the department has allocated to each PCN for funding purposes.[46]
- The HQCA produces reports annually on a broad range of measures in primary care. The reports are available for individual physicians, clinics, PCNs and AHS zones. Among other things, the HQCA's reports show the frequency of PCN patient visits to family physicians other than their own physician, and how the services PCN patients receive compare with services provided by other family physicians in their zone and the province as a whole.[47]
- Various other initiatives discussed elsewhere in this report are helping to make healthcare data available to PCNs to assist in service planning and program evaluation.

Challenges and opportunities

The challenge for PCNs and PCN physicians going forward will be determining how to make efficient and effective use of the information and tools being made available to them by the department, AHS, the HQCA and others.

Department's oversight of PCNs—**recommendation implemented**

Context

The department needs assurance that PCN funds are spent in accordance with program policies and that the information on results it receives from PCNs is accurate.

45 See http://www.health.alberta.ca/services/PHC-community-profiles.html.
46 See http://www.health.alberta.ca/services/primary-care-networks-profiles.html.
47 See http://hqca.ca/health-care-provider-resources/physician-panel-reports/.

Assurance

In 2012, we found that the department did not have adequate systems to obtain assurance that financial and performance information it received from PCNs was accurate and expenditures complied with program policies and approved business plans and budgets. For example:

- the department has authority to audit PCNs with respect to the use of PCN grant funding, but had not done so
- PCN external audits were focused on general purpose financial statements (e.g., categories such as salaries or supplies), not the priority initiatives and programs of the PCN
- there was a lack of clarity about the role of the PCN Program Management Office in reviewing PCN business plans, budgets and annual reports—specifically, there was overlap in the reviews done by the PMO and the department, and some duplication in the enquiries made to PCNs

We recommended that the department improve its systems for oversight of PCNs by obtaining assurance that PCNs are complying with program policies.

Surpluses

The department provides per capita funding to a PCN from the time it is formed. Most PCNs do not fully use their funding in their early years when programs are in development and staff members are being recruited. Our 2012 audit found that combined PCN surpluses totalled more than $80 million at March 31, 2011. By March 31, 2015, surpluses had risen to over $130 million.

While the department required PCNs to take steps to reduce these surpluses, we found surplus reduction initiatives were not clearly described in PCN business plans, budgets or annual reports, and some appeared to be unsustainable because they increased core program spending above annual revenues. We also found that the department's rationale for freezing $16 million of PCN assets to fund closing cost reserves was unclear.

We recommended that the department provide clear guidance to PCNs on how they can spend their surpluses to ensure these funds are used in a timely and sustainable manner without creating structural deficits.

Our follow-up audit findings

Key Findings

- The department has implemented a process for periodic on-site reviews to obtain assurance that PCNs are complying with program policies.
- PCN external audits now examine year-end financial statements based on the programs and expense categories used by the PCNs.
- The role of the PCN Project Management Office has been formalized and expanded.
- The department has eliminated the requirement for PCN closing cost reserves and taken effective steps to reduce PCN surpluses, while ensuring PCNs avoid structural deficits.

Assurance

In 2015, the department engaged an external reviewer to examine the PCN program, including on-site visits to 13 PCNs. The results of this review were made public in 2016.[48] The department informed us it intends to conduct reviews of PCN operations on a periodic basis in the future, using a combination of in-house staff and external consultants.

PCN external audits now examine actual financial results for the programs and expense categories used by the PCNs, rather than general purpose financial statements. This enhances the assurance the department derives from these audits.

The role of the PMO in reviewing and advising PCNs on the content of their business plans, budgets and annual reports is now formally recognized by the department. The department builds on the work the PMO does with PCNs to avoid potential duplication and delays. The PMO also helps PCNs build their internal capacity for evaluation and quality improvement. The PMO helps to act as a channel for sharing best practices among PCNs, a position it furthers through hosting a semi-annual PCN Strategic Leadership Forum for PCN executives and the widely attended Accelerating Primary Care Conference every fall.

The department has also issued several new documents since 2012 to clarify program policies in areas where greater detail was requested by the PCNs. For example, the department has clarified the criteria for determining the eligibility of PCN expenditures and provided guidance on appropriate governance and financial controls. The department indicated to us it will issue further guidance as needed.

Surpluses

To prompt PCNs to draw down their surpluses, the department reduced its funding to the PCN program by $50 million in 2015–2016. Actual PCN surplus reductions for the year totalled $45 million.

For 2016–2017 and future years, the department requires PCNs to submit balanced budgets, meaning budgeted expenses cannot exceed their projected revenue. The department informs every PCN in advance what its annual revenue is likely to be so the PCN can plan accordingly. If a PCN has an accumulated surplus, the department will reduce its funding on a cash basis and the PCN will be required to draw on its surplus to meet budgeted expenses. This process requires PCNs to convert their surpluses into services, while avoiding the risk of PCNs creating unsustainable structural deficits.

At March 31, 2016, PCNs in total still held combined surpluses of more than $87 million. The department expects these surpluses to decline over the next several years as PCNs continue to submit balanced budgets that will be funded in part by any available surpluses.[49]

The department has also eliminated the need for PCNs to internally restrict funds as closing cost reserves. This has freed PCNs to use these funds to improve service delivery, while signalling the department's continuing support for the program.

48 Key findings from the department's review included:

- PCNs are all targeting the five provincial objectives, but there is little evidence they assess community health needs in a methodical manner to match their programs with community needs, allocate resources for priority areas, and evaluate to ensure results are aligned with objectives.
- Given that PCNs are now 10 years old, the pace of development of effective interdisciplinary teams has been slow.
- PCNs have limited integration with home care and long-term care, community agencies, community addiction and mental health teams, and public health.

49 The department may allow PCNs to continue to retain a small surplus as a reserve for unforeseen events and contingencies, but has not set this amount.

Appendix A—Performance measures

PCN Funding Agreement—Performance Measures

Primary Healthcare System OUTCOME	Delivery Site OUTCOME	PCN Level PERFORMANCE INDICATOR
Attachment All Albertans have a health home.	Attached patients	1. Percentage of patients going to a different provider or different clinic for a subsequent visit.
Access Albertans have timely access to a primary health care team.	Timely access to PHC	2. Percentage of physicians measuring Time to Third Next Available Appointment (progress measure for actual mean time to TNA).
Quality Clinical and social supports are brought together to promote wellness, provide quality care based on proven courses of action, and effectively manage chronic disease.	Early detection of risk and disease	3. Average of patient responses to the question "Overall, how would you rate the care you received in your visit today?"
		4. Percentage (or percentages) of compliance of physicians in screening or offering screening to their panel of patients, as described in a menu of screens recommended by Alberta Screening and Prevention Initiative (ASaP).
Self-management of Care Albertans are involved in their care and have the supports needed to improve and manage their health.	Patient self-management	5. Percentage of patients with a chronic condition who were offered self-management supports during the fiscal year.
Health Status and Care Experience Albertans are as healthy as they can be, have better health overall, and report positive experiences with primary health care.	Enhanced patient experience of PHC	6. Percentage of patients with a chronic condition who report maintaining or improving quality of life as measured by the EQ-5D Health Questionnaire during the fiscal year.
Provider Engagement and Satisfaction Providers satisfied and happy with their work lives and able to provide quality care.	Enhanced provider experience	7. Percentage of identified team members responding to a team effectiveness survey.
Leadership and Governance PCN leadership and governance is effective.	Effective governance	8. PCN board completion of all three components of self-assessment during the fiscal year: • self-assessment of the PCN board as a whole • self-assessment of individual PCN board members • performance improvement plan
		9. PCN board assessment of the performance of the PCN administrative lead and all other staff members reporting directly to the board for the prior fiscal year.

Appendix B—Good Practices Observed

In the course of this follow-up audit, we identified many good practices that appear suitable for adoption more broadly among PCNs. While PCNs pride themselves on delivering "local solutions for local problems," that does not mean each PCN should invent or reinvent these solutions on its own. We also believe good practices are noteworthy not simply for their own sake, but because they serve to show what is possible—they are real examples of what is being done on a daily basis in various PCNs across Alberta. The following is a small sample of the success stories we heard.

Screening tool

Westview PCN has developed EMR queries to measure screening completion rates for a physician's entire panel. The tool has been developed for five family practice clinics and extracts data from four different EMR systems. To date, the tool has been tested and fully implemented by one clinic. This clinic is generating monthly "Screening and Prevention" reports from its EMR system at both the provider and clinic levels. Application of the tool in two other clinics is currently being refined. The remaining two clinics face significant limitations due to their EMR data structure and query features.

The importance of screening is apparent in the case of colorectal cancer. It is currently the second most lethal form of cancer—over 700 Albertans die from it every year. If detected early, it can be cured in 90 per cent of cases. In 2014–2015, the most recent year for which data is publicly available, Alberta's colorectal screening rate for patients was less than 40 per cent, the second lowest among the nine provinces reporting this measure. The rate of patient counselling to reduce their colorectal cancer risks (e.g., though diet and lifestyle changes) is not measured.

The department, AHS and the HQCA can each compile information centrally to identify Albertans of target age who have not received recommended screening (i.e., lab tests or colonoscopies). However, this information helps to improve colorectal cancer screening only if primary care physicians have a system, including an EMR, to identify patients in the target group and ensure they get screened. Advances like the Westview screening tool are helping to make this a reality.

Specialist Link

A collaborative effort of all Calgary-area PCNs and the AHS Calgary zone, Specialist Link is a telephone service that family physicians can use to contact a specialist for a virtual consultation. Specialists enrolled in the service typically respond within 30 minutes, often while the family physician's patient is still in the office for their visit.

The cost savings and potential improvement in patient outcomes associated with Specialist Link are significant (see below). In many cases, a proactive telephone consultation with a specialist can avoid a full specialist consultation or a trip to the emergency department. In other cases, a specialist may identify the need for further testing or consultation for a patient who might not have been given a referral.

Illustration of potential cost savings through Specialist Link

AHS language line

AHS offers telephone interpretation services to affiliated agencies, including PCNs, on a cost-recovery basis. It is available on demand, 24/7, in more than 200 languages. Several PCNs subscribe to the service and described it to us as "absolutely essential" for serving their diverse patient populations. Customer satisfaction among the PCNs we spoke to was very high.

Web-based portal for PCN data

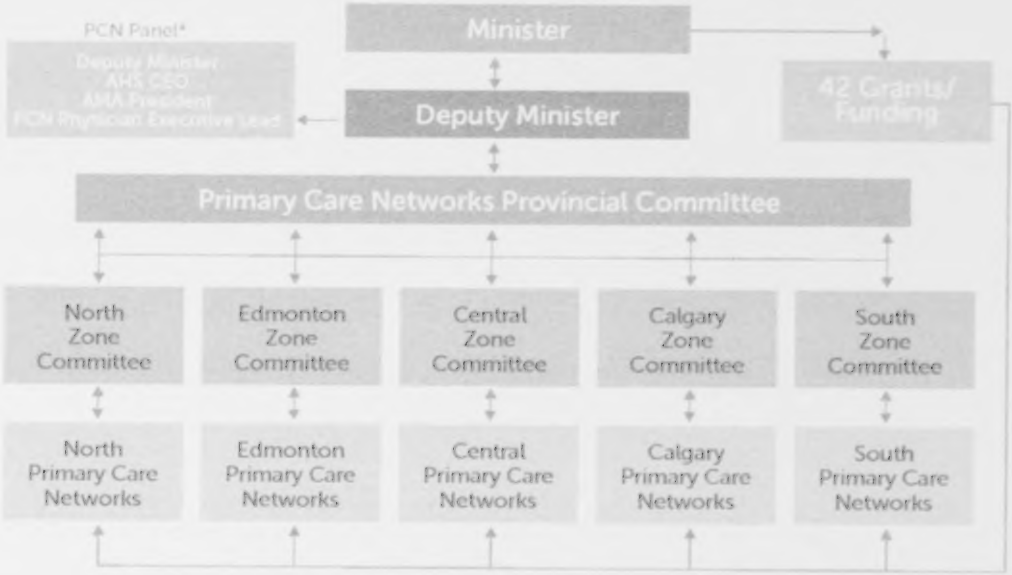
One innovative PCN has developed its own central database that draws information securely from participating physician EMRs through a web-based portal. As of March 31, 2016, 44 per cent of its 236 family physicians were contributing their data for analysis and feedback from the PCN's evaluation team. This solution avoids the need for physical data collection and standardization procedures.

Patient-reported health outcomes

SF-12, EQ-5D and PHQ-9 are questionnaires designed to be easy-to-use surveys of a patient's own perception of their physical and/or mental health status.[50] Administered at different points in time (e.g., the beginning, middle or end of treatment), they can provide insight into the progression of a patient's condition and the effectiveness of their treatment.

50 Short Form 12 (SF-12) has 12 questions designed to measure physical and mental health. EuroQol 5D (EQ-5D) has five questions, of which four are designed to measure physical health and one is designed to measure mental health. Patient Health Questionnaire 9 (PHQ-9) has nine questions designed to measure depression.

Appendix C—PCN Governance Structure (approved June 2017)



* The PCN panel is accountable to the minister. The purpose of the panel is to provide recommendations to the Provincial PCN Committee. If the chair of the Provincial PCN Committee identifies a matter on which consensus cannot be reached, any member of the committee can request that the matter be referred to the PCN Panel. The Panel will consider the matter and send back a recommendation. This process is designed to ensure that all members of the ministry, AHS and physician-represented zones have opportunity for matters of concern to be considered in an equitable and fair manner.

Alberta Treasury Board and Finance
CEO Selection, Evaluation and Compensation, and Executive Compensation

October 2017

About This Audit

In 2008,[1] we audited the systems that agencies use to select, evaluate and compensate chief executive officers. Further, an audit we reported in 2009[2] looked at agencies' compensation not only of chief executive officers but of other senior executives as well. In those audits we found that:

- government needed to provide guidance to agencies on policies and practices for CEO selection, evaluation and compensation, and executive compensation
- government did not obtain and evaluate information on CEO selection, evaluation and compensation systems to support ministers in holding boards accountable for their decisions
- agencies' compensation disclosures were incomplete or inconsistent

We made our 2008 and 2009 recommendations in an environment where agency boards were responsible for executive compensation decisions. In that environment, we believed the government needed to establish reasonable and consistent approaches for boards to follow when making executive compensation decisions, and check that those approaches were being followed.

We also recommended that government consider whether agencies should prepare compensation discussion and analysis[3] so that those boards with responsibility for executive compensation decisions could explain their decisions publicly.

In 2016, the *Reform of Agencies, Boards and Commissions Compensation Act* was proclaimed. This new legislation enables the government to develop regulations for setting compensation frameworks, including salary ranges and benefits for agency executives and board members. The first compensation regulation under this act became effective on March 16, 2017 and includes a centralized approach to determining compensation with:

- constraints on base salaries of CEOs
- elimination of variable pay for executives
- caps on termination benefits
- other constraints on benefits

The March 2017 compensation regulation covers 23 Alberta agencies. It does not cover post-secondary institutions. The government's review of compensation in post-secondary institutions is underway.

In light of the new legislation, regulation and centralized approach, our 2008 and 2009 recommendations are no longer applicable. We made them in an environment where agency boards had primary responsibility for executive compensation decisions, but the new approach shifts significant responsibility to the government. We are therefore withdrawing the recommendations.

In withdrawing our recommendations, we are not concluding on the adequacy of the government's current systems on executive compensation. To form a conclusion on the current systems, we would need to perform a new audit. When planning future audits, we will consider whether such an audit could provide value.

1 *Report of the Auditor General of Alberta – October 2008*, page 23.
2 *Report of the Auditor General of Alberta – October 2009*, page 19.
3 A compensation discussion and analysis explains significant components of executive compensation and helps the public understand how decisions about executive compensation are determined.

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Making a difference in the lives of Albertans.

Auditor General
OF ALBERTA

Financial Statement Auditing

October 2017

Auditor General
OF ALBERTA

Vision

Making a difference in the lives of Albertans

Mission

Identifying opportunities to improve the performance of and confidence in the public service

Values

We are committed to our mission and to achieving our vision. Our values guide us in our internal and external relationships:

Trust
We earn it with everything we say and do. We are accountable for our actions.

Respect
Everyone has the right to be heard and deserves to be treated with dignity and courtesy.

Diversity of thought
We encourage open minds, innovative thinking and constructive challenge.

Teamwork
With integrity, we work together to generate better solutions.

Growth
We view individual success as professional growth together with a fulfilling personal life. We value both.

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Summary of Recommendations

We conducted our audits in accordance with the *Auditor General Act* and the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

This report contains six new and two repeated recommendations to government. The repeated recommendations have been made because we do not believe there has been sufficient action taken to implement our previous recommendations. We also confirm in this report that 16 prior recommendations have been implemented.

As part of the audit process, we provide recommendations to government in documents called management letters. We use public reporting to bring recommendations to the attention of Members of the Legislative Assembly. For example, members of the all-party Standing Committee on Public Accounts refer to the recommendations in our public reports during their meetings with representatives of government departments and agencies.

The auditor general is the auditor of every ministry, department and regulated fund, and most provincial agencies. Under the *Government Organization Act*, ministers are responsible for administering departments and provincial legislation. Deputy ministers are delegated responsibility to support the minister in his or her role, and to act as the chief operator of a department. Ministers may also establish any boards, committees or councils they consider necessary to act in an advisory or administrative capacity for any matters under the minister's administration. A minister is responsible for oversight of the work and actions of the department and any provincial agencies under his or her administration. However, we make our recommendations to departments and provincial agencies rather than to the minister directly, given the delegated operational responsibilities and that they are in the best position to respond to and implement our recommendations. With respect to recommendations related to ministerial oversight of a provincial agency, we generally make the recommendation to the department supporting and providing advice to the minister.

We believe all of the recommendations in this report require a formal public response from the government. In instances where a recommendation has been made to a board-governed organization, we expect the organization to implement the recommendation and report back to its respective government ministry as part of proper oversight of the organization. By implementing our recommendations, the government will significantly improve the safety and welfare of Albertans, the security and use of the province's resources, or the oversight and ethics with which government operations are managed.

Reporting the status of recommendations

We follow up on all recommendations. The timing of our follow-up audits depends on the nature of our recommendations. To encourage timely implementation and assist with the planning of our follow-up audits, we require a reasonable implementation timeline on all recommendations accepted by the government or the entities we audit that report to the government. We recognize some recommendations will take longer to fully implement than others, but we encourage full implementation within three years. Typically, we do not report on the progress of an outstanding recommendation until management has had sufficient time to implement the recommendation and we have completed our follow-up audit work.

We repeat a recommendation if we find that the implementation progress has been insufficient.

We report the status of our recommendations as:

- **Implemented**—We explain how the government implemented the recommendation.
- **Repeated**—We explain why we are repeating the recommendation and what the government must still do to implement it.

On occasion, we may make the following comments:

- **Satisfactory progress**—We may state that progress is satisfactory based on the results of a follow-up audit.
- **Progress report**—Although the recommendation is not fully implemented, we provide information when we consider it useful for MLAs to understand management's actions.

Financial Statement Auditing

Advanced Education

Page 13

RECOMMENDATION: Enterprise risk management framework—recommendation repeated

We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.

Consequences of not taking action

Without an effective enterprise risk management system, the department will not identify and mitigate its risks efficiently and effectively.

Culture and Tourism

Page 37

RECOMMENDATION: Improve controls over administration of the Alberta Production Grant program

We recommend that the Department of Culture and Tourism improve its controls over administration of the Alberta Production Grant program by:

- defining and documenting clear, easy-to-understand criteria for Alberta eligible expenses, and communicating them to stakeholders
- using a risk-based approach when selecting grant files to audit
- establishing a mechanism to facilitate more timely recovery of funds in instances where the department identified applicants claiming ineligible expenses

Consequences of not taking action

Without effective controls over administration of the Alberta Production Grant program, there is an increased risk to program viability and, ultimately, its ability to contribute to economic diversification of the province.

Economic Development and Trade

Page 44

RECOMMENDATION: Improve financial reporting processes

We recommend that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.

Consequences of not taking action

Ineffective internal controls and processes for financial reporting result in errors or omissions that may be material to the financial statements. Senior management risks making operational decisions based on inaccurate or incomplete financial information.

Education

Page 50

RECOMMENDATION: Implement an enterprise risk management process

We recommend that the Department of Education implement an enterprise risk management process.

Consequences of not taking action

Without an enterprise risk management process, department management will not effectively manage risks that can hinder the department's ability to meet its goals.

Page 51

RECOMMENDATION: Improve controls over tracking and reporting cost obligations for school construction projects

We recommend that the Department of Education improve controls over tracking and reporting cost obligations for school construction projects.

Consequences of not taking action

Without adequate tracking and monitoring processes, the department will not adequately report accurate and complete information to Albertans on school construction projects cost obligations.

Seniors and Housing

Page 113

RECOMMENDATION: Improve change management control procedures

We recommend that the Alberta Social Housing Corporation improve and implement change management control procedures to ensure changes to the information systems within its computing environment are implemented in a controlled and consistent manner.

Consequences of not taking action

Without proper change management control procedures, ASHC risks introducing untested and unauthorized changed into its computing environment. Uncontrolled changes could cause systems not to operate as they should and result in ASHC's financial and housing management information becoming inaccurate or incomplete.

Treasury Board and Finance

Page 134

RECOMMENDATION: Apply policies when recommending approval to Treasury Board Committee

We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.

Consequences of not taking action

Inconsistent application of accounting and budgeting policies and procedures weaken government transparency and accountability. Users of financial and budget information will be less able to compare results, measure performance and understand if government entities are operating effectively. Budgeting processes will be less effective or bypassed and operating decisions become short-term focused rather than demonstrate the execution of long-term planning and budgeting.

Page 135

RECOMMENDATION: Update and follow enterprise risk management system —recommendation repeated

We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Consequences of not taking action

Without an effective enterprise risk management system, the department may not identify and manage its risks efficiently and effectively.

2016-2017 Consolidated Financial Statements for the Province of Alberta

The Government of Alberta prepares financial statements and makes them public to inform Albertans about the province's financial performance. The Office of the Auditor General audits the consolidated financial statements of the Province of Alberta, in addition to auditing the financial statements of every ministry, government department, regulated fund and most provincial agencies.

An audit is the collection and evaluation of evidence about the fairness of financial statements. By obtaining this evidence, the auditor general is able to provide a high level of assurance to Albertans about whether the financial statements prepared by management are fairly presented and free from material misstatements. An audit includes assessing where errors (misstatements) could occur in the financial statements, testing management's internal control over financial information and performing additional audit procedures.

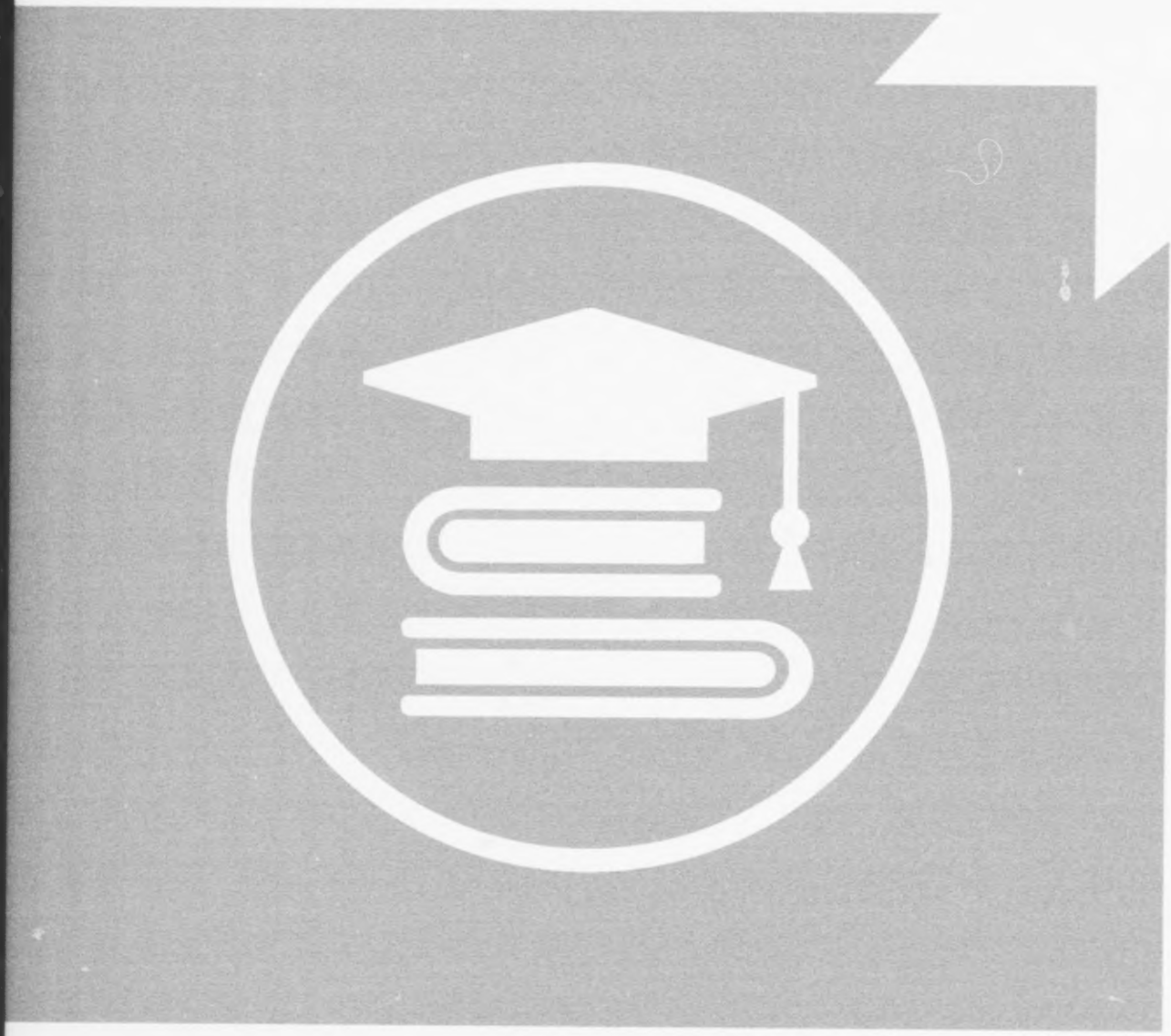
The audit, and the auditor's report, adds credibility to the financial statements by telling Albertans whether the financial statements are reasonable. This auditing does not mean that the auditor general examines every transaction or guarantees that the financial statements are error free. Millions of transactions are summarized into the province's financial statements. Audits, therefore, necessarily focus on areas of risk and on the places where errors that matter to users' understanding of the financial statements as a whole are likely to occur.

On June 20, 2017, we issued our unqualified independent Auditor's Report on the 2016–2017 Consolidated Financial Statements for the Province of Alberta. We had issued unqualified auditor's reports on the financial statements of all the other entities that we audit.

The province's consolidated financial statements account for the full nature and extent of the financial affairs and resources that the government controls, and provide a comprehensive view of government's financial position at its fiscal year-end.

From our perspective, the key items within the province's audited 2016–2017 consolidated financial statements were:

- A key indicator with the consolidated statements is net debt, which is the difference between the government's financial assets and liabilities. Net debt shows the government's requirement to generate future revenues to pay for past services. As of March 31, 2017, the province moved to an overall net debt position of $8.9 billion in fiscal 2017 from an overall net financial asset position of $3.9 billion as of March 31, 2016. (page 33, Government of Alberta 2016–2017 Annual Report)
- Expenses and liabilities of $1.1 billion related to the phase out of coal-fired electricity generation under the Climate Leadership Plan. Recording this expense resulted in the Province's operating expenses exceeding those in Budget 2016 by more than the one per cent allowable limit under the *Fiscal Planning and Transparency Act*. (page 37, Government of Alberta 2016–2017 Annual Report)
- The results of the Balancing Pool were included in the province's consolidated statements. It had previously not been included in the government reporting entity. This increased the province's annual deficit by $2 billion primarily because of losses incurred by the Balancing Pool from its power purchase arrangements. (page 56, Government of Alberta 2016–2017 Annual Report)
- The agreement by the Alberta Petroleum Marketing Commission with the North West Redwater Partnership is included as a commitment in the 2016-2017 province's consolidated financial statements. The project's capital costs and the commission's future toll commitments both increased in 2016-2017. The government continues to estimate a positive return over the term of the agreement. (page 58, Government of Alberta 2016–2017 Annual Report)



Advanced Education

October 2017

Summary

Department

There are no new recommendations to the department in this report. We have repeated our 2015 recommendation to the department to implement an integrated enterprise risk management framework to identify and mitigate relevant risks—see page 13.

Post-secondary Institutions

There are no new recommendations made to post-secondary institutions in this report. Post-secondary institutions in total have nine outstanding recommendations to implement—see page 15.

Post-secondary Institutions Report Card

This report includes an update on the report card on four universities' internal controls over financial reporting, together with comparative assessments from our 2016 and 2015 audits. Our May 2017 report included the results of our audits at the colleges, technical institutions, MacEwan University and Mount Royal University.

To govern effectively, boards need accurate and timely financial information throughout the year, not just at year end. To manage effectively, management needs the same information. We see a direct correlation between a strong year-end process to prepare financial statements and the ability to prepare quality financial information throughout the year. Strong, sustainable processes improve management's decision making ability and provide opportunities to use results analysis to communicate to Albertans the institution's performance and accountability for results. The Minister of Advanced Education, through the department, must ensure the boards of governors of post-secondary institutions hold management accountable for sustaining strong internal control environments and improving identified control weaknesses in a reasonable period of time.

Consistent with our prior report cards, we evaluated the following key indicators of sustainable effective financial processes and internal controls:

- the time it took institutions to prepare complete and accurate year-end financial statements
- the quality of draft financial statements we received, including the number of errors our audit found
- the number and type of current and outstanding recommendations

A university could have a yellow or red status yet still receive an unqualified opinion on its financial statements as management can correct errors and disclosure deficiencies during the audit process. The number of errors and disclosure deficiencies we find in the draft financial statements indicates how effective financial controls are for preparing accurate financial statements. We occasionally make observations to management at the end of our financial statement audit of less significant control weaknesses which do not require immediate remediation like recommendations do. We would note a caution in the report card however if numerous observations are being identified at a particular institution. Numerous observations would be a strong indication the institution's overall financial processes and internal controls may not be sustainable.

Our conclusion on the status of outstanding recommendations considers not just the number, but also the age and nature of the outstanding recommendations. A summary of outstanding recommendations by institution is on page 15. Six of the nine outstanding recommendations to institutions are aged greater than three years.

Effective control environments include clear policies, well designed processes and controls to implement and monitor compliance with policies and secure information systems to provide timely and accurate financial and non-financial information to manage and govern the institutions. Recommendations not implemented promptly erode the effectiveness of the institution's control environment. Weak control environments impact the quality of decisions made by management and the board of governors. This can result in an institution not achieving its goals by operating in a cost-effective manner and managing operating risks.

The Report Card

◆ Significant improvement is required.

△ Improvement is required, but not to the same extent as the red items. Yellow items may or may not be associated with a management letter recommendation. They represent areas where an institution can improve, as opposed to areas that require significant, immediate attention.

● We have not identified significant weaknesses in the control environment.

Institution	Financial Statements Preparation		Outstanding Recommendations
	Accuracy	Timeliness	
Athabasca University			
2017	●	●	◆
2016	●	●	◆
2015	●	●	◆
University of Alberta			
2017	●	●	●
2016	●	●	●
2015	●	●	●
University of Calgary			
2017	●	●	●
2016	●	●	●
2015	●	●	●
University of Lethbridge			
2017	△	●	●
2016	●	●	●
2015	●	●	●

Note: *The Report of the Auditor General of Alberta—May 2017*, page 82 included the fiscal 2016 report card as the results of our audits at the colleges, technical institutions, MacEwan University and Mount Royal University.

In concluding on our report card, we note the following:

Financial Statements Preparation

The four universities that we examine in this report have internal controls and processes to promptly prepare reliable financial statements.

We made a number of observations on internal controls related to the University of Lethbridge's financial reporting processes which management is working promptly to rectify. While each observation is not individually significant to the overall university control environment, collectively they signal that management needs to do some work to sustain the university's overall financial reporting controls and processes. We encourage the board of governors to oversee management's actions to sustain the university's strong internal controls and processes.

All four universities prepare clear documentation and support for financial reporting conclusions which significantly enhances the universities' financial reporting preparation throughout the fiscal year. The universities are continuously working to improve financial reporting systems and management's decision making ability. Sustaining strong financial reporting systems increases opportunities to use results analyses to better communicate the universities' performance and accountability for results.

We issued unqualified audit opinions on the financial statements of all the four universities.

Outstanding Recommendations

There were no new recommendations to the four universities.

Athabasca University is the only one of Alberta's six universities that has outstanding recommendations. Athabasca University continues to work towards implementing the two recommendations on its information technology internal controls and processes. The university must improve IT resumption capabilities and procedures to monitor and report IT access and security violations. Without promptly rectifying the identified weaknesses, the university risks being unable to reliably provide accessible on-line learning to Albertans and sustain processes to produce accurate financial reporting to the board of governors and Albertans.

Findings and Recommendations

Department

Enterprise risk management framework—**recommendation repeated**

Context

In October 2015[1] we recommended that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.

Department management began developing a risk assessment framework in 2008 but stopped when the department underwent restructuring in fiscal 2012. Department management subsequently performed a preliminary risk assessment and drafted a document outlining the department's current and future risks in November 2013. Department senior management has not yet approved this preliminary assessment.

We repeat this recommendation because the department still has not implemented a formal enterprise risk management framework to manage its strategic risks.

1 *Report of the Auditor General of Alberta – October 2015*, no.15, page 124

Criteria: the standards of performance and control

An effective enterprise risk management framework involves:

- identifying and prioritizing entity-wide risks associated with achieving the department's objectives
- assessing and ranking risks, including the likelihood and potential impact of the risks
- defining roles and responsibilities for risk management
- designing and implementing procedures for identifying risks
- updating risk assessments as changes occur
- monitoring and evaluating procedures to mitigate risks
- reporting to senior management on actions to reduce identified risks to an acceptable level

Our audit findings

Key Finding

The department still has not finalized its formal enterprise risk management framework.

The department initiated an action plan in fall 2015 to finalize, implement and maintain the enterprise risk management framework. This work is still in progress.

Department management has made some efforts to update the risk management framework and its risk assessment in response to the Treasury Board and Finance requirement for a periodic risk assessment. However, department management has not prioritized and ranked the risks, developed mitigation activities to manage the identified risks or assessed the likelihood and severity of the possible consequences.

Recommendation: Implement Enterprise Risk Management Framework—recommendation repeated

We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.

Consequences of not taking action

Without an effective enterprise risk management system, the department will not identify and mitigate its risks efficiently and effectively.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

For-profit and cost recovery ventures at post-secondary institutions—document and communicate expectations and guidelines—October 2015, no. 1, p. 25
We recommend that the Department of Advanced Education:

- document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures
- establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations
- update and approve for-profit venture guidelines, to support best practices and align with the department's expectations
- develop a process to communicate the department's expectations and guidelines to all institutions

For-profit and cost recovery ventures at post-secondary institutions—improve department's oversight of institution's risk assessment of ventures—October 2015, no. 2, p. 27
We recommend that the Department of Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:

- tailoring board training to examine these ventures
- maintaining relevant documentation of the institution's risk assessment and venture approval requests
- requiring the institution to comply with the department's expectations and guidelines
- requiring the institution to report on venture results on an ongoing basis
- providing effective feedback and ongoing guidance to the boards

Improve review of travel, meal and hospitality expenses—May 2017, no. 4, p. 56
We recommend that the Department of Advanced Education improve its review processes for travel, meal and hospitality expenses.

Collaborative initiatives among post-secondary Institutions: Develop strategic plan and accountability framework—October 2017, Performance Auditing, p. 37 (originally July 2013, no. 6, p. 48)
We again recommend that the Department of Advanced Education, working with institutions:

- develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta initiatives to achieve those outcomes, the resources required and sources of funding
- develop relevant performance measures and targets to assess if the outcomes are being achieved
- publicly report results and the costs associated with collaborative initiatives
- review and clarify the accountability structure for governing collaborative initiatives

Collaborative initiatives among post-secondary institutions: Develop processes and guidance to plan, implement and govern collaborative projects —October 2017, Performance Auditing, p. 40 (originally July 2013, no. 7, p. 51)
We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.

Implement enterprise risk management framework—October 2017, Financial Statement Auditing, p. 15 (originally October 2015, no. 13, p. 124)
We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.

	Outstanding Recommendations		
Institution	3+ Years*	Other	Total
Alberta College of Art + Design	-	-	-
Athabasca University	2	-	2
Bow Valley College	-	-	-
Grande Prairie Regional College	-	-	-
Keyano College**	1	1	2
Lakeland College	-	1	1
Lethbridge College	-	-	-
MacEwan University	-	-	-
Medicine Hat College	-	-	-
Mount Royal University	-	-	-
NorQuest College	-	-	-
Northern Alberta Institute of Technology	-	-	-
Northern Lakes College	1	-	1
Olds College	1	1	2
Portage College	1	-	1
Red Deer College	-	-	-
Southern Alberta Institute of Technology	-	-	-
University of Alberta	-	-	-
University of Calgary	-	-	-
University of Lethbridge	-	-	-
Total Outstanding	**6**	**3**	**9**
Ready for follow-up audit***	3	1	4
Not yet ready for audit	3	2	5

* Originally issued in October 2014 report and earlier

** Outstanding recommendation to improve financial reporting processes

*** Based on management representations to August 21, 2017

Athabasca University

The following recommendations are outstanding and not yet ready for follow-up audits:

Establish information technology resumption capabilities—October 2016, no. 9, p. 65 (repeated October 2013, no. 9, p. 96 and originally October 2010, no. 10, p. 111)
We again recommend that Athabasca University:

- assess the risks and take the necessary steps to establish appropriate off-site disaster recovery facilities that include required computer infrastructure to provide continuity of critical information technology systems
- complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster

Improve procedures to monitor and report access and security violations —October 2016, no. 10, p. 67 (originally October 2013, no. 8, p. 95)
We again recommend that Athabasca University formalize its access and security monitoring procedures to:

- detect and assess security threats to critical information systems
- report access and security violations to senior management
- identify and resolve the root causes of security threats and violations

Keyano College

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve financial reporting processes—February 2016, no. 13, p. 102
We recommend that Keyano College improve its financial reporting by:

- training staff on Canadian Public Sector Accounting Standards
- improving its monitoring and reviewing processes to ensure accurate financial information

Improve systems to ensure compliance with legislation[2]—May 2017, no. 8, p.86 (Originally February 2013, no. 7, p. 60)
We recommend that Keyano College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

2 As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016 and October 2016.

Lakeland College

Management has identified this recommendation as implemented – to be confirmed with a follow-up audit:

Improve segregation of duties—February 2016, no. 14, p. 103
We recommend that Lakeland College improve segregation of duties within the finance department.

Northern Lakes College

Management has identified this recommendation as implemented – to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation—February 2013, no. 7, p. 60
We recommend that Northern Lakes College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

Olds College

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve access controls to information systems—February 2016, no. 15, p. 105
We recommend that Olds College strengthen its information systems access controls, to ensure it:

- promptly removes system access privileges when staff or contractors leave the college
- discontinues the practice of leaving accounts open for email access after staff are terminated

Management has identified this recommendation as implemented – to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation—February 2013, no. 7, p. 60
We recommend that Olds College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

Portage College

Management has identified this recommendation as implemented–to be confirmed with a follow-up audit:

Improve systems to ensure compliance with legislation[3]**—February 2013, no. 7, p. 60**

We recommend that Portage College implement systems to:

- understand what legislation they must comply with
- develop appropriate policies, procedures and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and board audit committees

3 As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016 and October 2016.

Agriculture and Forestry

October 2017

Summary

Department

There are no new recommendations to the Department of Agriculture and Forestry in this report.

Agriculture Financial Services Corporation

There are no new recommendations to AFSC in this report.

The Agriculture Financial Services Corporation has implemented its outstanding recommendation to strengthen processes to report senior executives' expenses to the board of directors—see below.

Findings and Recommendations

Agriculture Financial Services Corporation

Matters from prior audits

Reporting of Senior Executives' Expenses to the Board—recommendation implemented

Our audit findings

AFSC has implemented our 2016[1] recommendation to strengthen its processes to report senior executives' expenses to the board of directors.

Management developed a process through which it presents the board of directors with a summary of executives' expenses at each board meeting. The discussion of executives' expenses is now a standing item on the board of directors' meeting agenda. We reviewed the board meeting minutes for the first three quarters of the year and verified that executives' expense summaries were presented by the Chief Financial Officer.

We concluded that the new executives' expense reporting process is adequately designed and implemented and meets the requirements of our recommendation.

Outstanding Recommendations

Agriculture and Forestry and Agriculture Financial Services Corporation

The following recommendation is outstanding and not yet ready for a follow-up audit:

Systems to Manage the Lending Program—Define oversight responsibilities —October 2016, no. 2, p. 25

We recommend that the Department of Agriculture and Forestry and the board of directors of the Agriculture Financial Services Corporation clearly define the oversight responsibilities of both parties for the lending program.

1 *Report of the Auditor General of Alberta—October 2016*, page 79.

Agriculture Financial Services Corporation

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to Manage the Lending Program—Define strategic objectives, articulate sector credit needs and re-evaluate the relevance of the lending program—October 2016, no. 1, p. 23

We recommend that the Agriculture Financial Services Corporation:

- clearly define the strategic objectives of the lending program, these objectives should be consistent with AFSC's legislative mandate
- clearly articulate the credit needs of the agriculture sector in Alberta, which should drive its lending activities
- develop a process to periodically re-evaluate the relevance of the lending products it offers to ensure they continue to be relevant

Systems to Manage the Lending Program—Develop a funding model and costing system—October 2016, no. 3, p. 29

We recommend that the Agriculture Financial Services Corporation:

- develop a product-specific government funding model
- develop a costing system capable of allocating, tracking and reporting product-specific costs

Systems to Manage the Lending Program—Monitor the performance of the loan portfolio—October 2016, no. 4, p. 29

We recommend that the Agriculture Financial Services Corporation set up an independent function to monitor the performance of the loan portfolio.

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit:

Ensure compliance with established policies—October 2016, no. 11, p. 75

We recommend that the Agriculture Financial Services Corporation:

- ensure that agreements between AFSC and its employees comply with the corporation's established policies. If deviations from policies are necessary, adequate justification and support should be documented
- improve its training policy and reimbursement agreements to make them more specific and in line with the guidance by Government of Alberta Corporate Human Resources
- consider recovering expenses that did not comply with AFSC's policies

Children's Services

October 2017

Summary

There are no new recommendations to the Department of Children's Services in this report.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve access control processes—October 2014, no. 18, p. 151
We recommend that the Department of Children's Services improve access control processes for all its information systems, to ensure:

- user access to application systems and data is properly authorized
- user access is disabled promptly when employees leave their employment or role

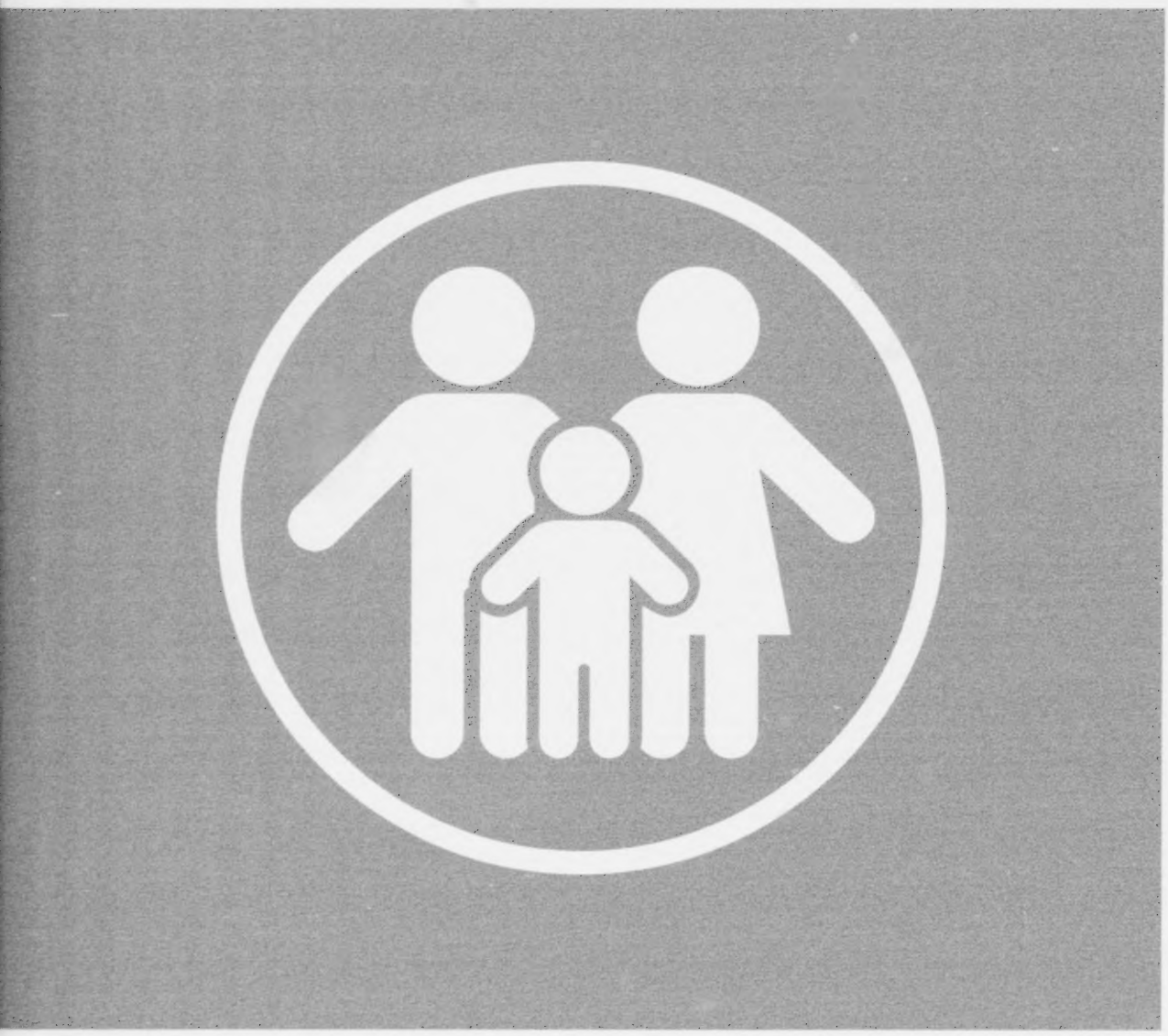
Systems to deliver child and family services to Indigenous children in Alberta: Enhance early support services—July 2016, no. 1, p. 13
We recommend that the Department of Children's Services:

- enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services
- report to the public regularly on the effectiveness of early support services

Systems to deliver child and family services to Indigenous children in Alberta: Ensure a child-centred approach—July 2016, no. 2, p. 17
We recommend that the Department of Children's Services improve its systems to:

- ensure the care plan for each Indigenous child requiring intervention services is adhered to and meets the standards of care the department sets for all children in Alberta
- analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results

Systems to deliver child and family services to Indigenous children in Alberta: Strengthen intercultural understanding—July 2016, no. 3, p. 24
We recommend that the Department of Children's Services continue to enhance its staff training of the history and culture of Indigenous peoples, as well as its training of intercultural understanding. The department should seek the expertise of Indigenous leaders and communities when developing the training.



Community and Social Services

October 2017

Summary

There are no new recommendations to the Department of Community and Social Services in this report.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve access control processes—October 2014, no. 18, p. 151
We recommend that the Department of Community and Social Services improve access control processes for all its information systems, to ensure:

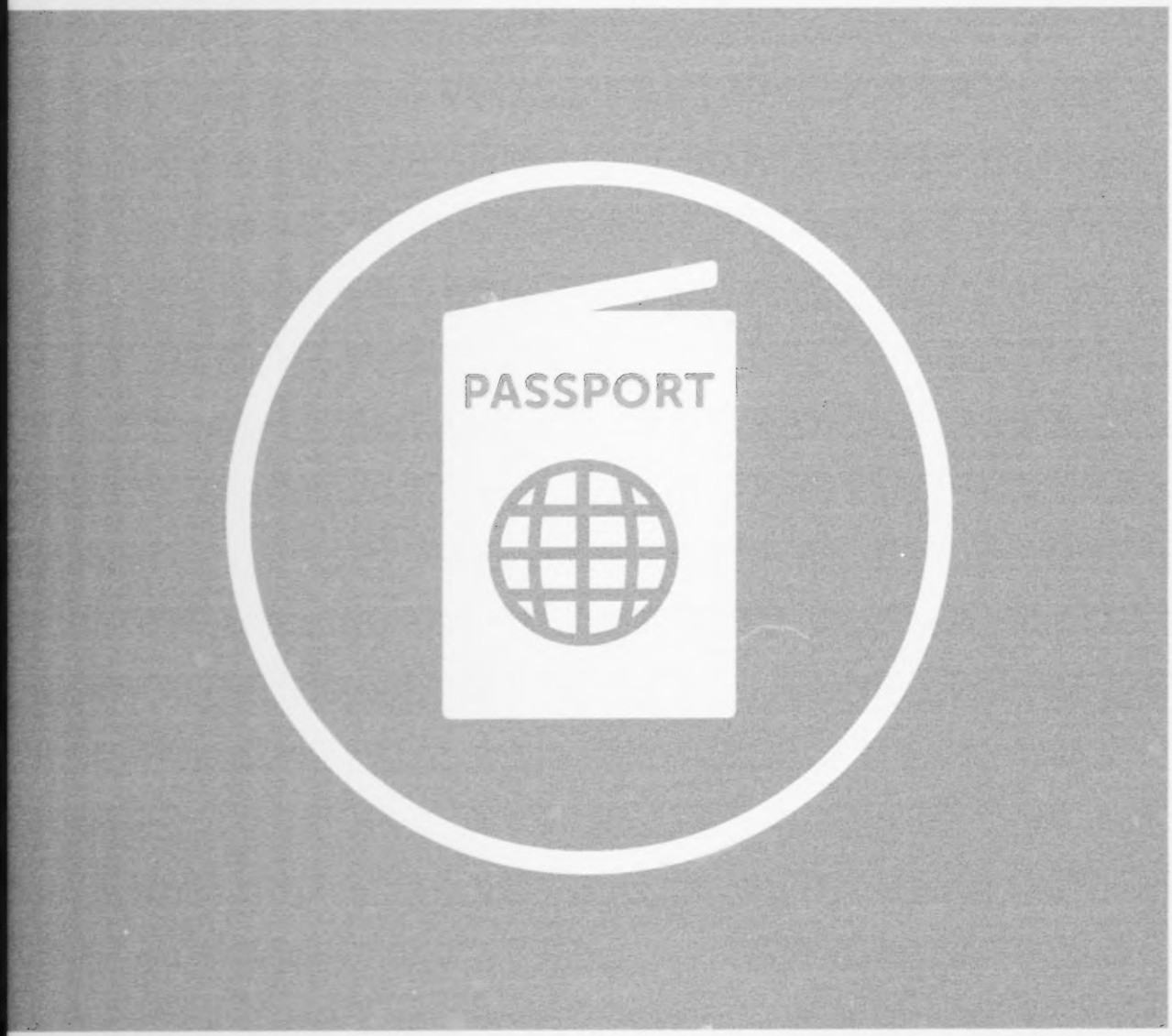
- user access to application systems and data is properly authorized
- user access is disabled promptly when employees leave their employment or role

Systems to manage the AISH program: Improve program accessibility —October 2016, no. 5, p. 35
We recommend that the Department of Community and Social Services ensure its application processes are user friendly.

Systems to manage the AISH program: Set service standards and improve eligibility procedures and guidelines—October 2016, no. 6, p. 38
We recommend that the Department of Community and Social Services:

- set service standards for application processing times and regularly monitor against these standards
- improve procedures and guidelines to ensure staff apply policy in a consistent manner

Systems to manage the AISH program: Improve reporting on efficiency—October 2016, no. 7, p. 42
We recommend that the Department of Community and Social Services improve its processes to measure, monitor and report on the efficiency of the AISH program.



Culture and Tourism

October 2017

Summary

Department

Matters from current and prior audits

There is one new recommendation for the Department of Culture and Tourism from the current audit. The Department of Culture and Tourism should improve its controls over administration of the Alberta Production Grant program—see below.

The Department of Culture and Tourism implemented its outstanding recommendation to improve its financial statement preparation process for transactions that do not occur regularly—see page 38.

Travel Alberta

There are no new or outstanding recommendations to Travel Alberta in this report.

Findings and Recommendations

Department

Matters from the current audit

Funding to support the film and television sector

Summary

The Department of Culture and Tourism lacks effective grant administration processes to manage the Alberta Production Grant (APG) program[1] well.

The APG program is designed to attract film and television companies so that they spend money in the province and hire local talent. Unfortunately, current grant management processes put the program at increased risk of not achieving the benefits it intends, because the department:

- is using unclear guidelines that have allowed grant recipients to claim ineligible expenses
- lacks effective monitoring processes to verify that expenses being reimbursed comply with guidelines
- continues to fund individuals even when the companies they own, or are associated with, were found to claim ineligible expenses

1 The Alberta production grant program is by far the largest screen-based production program funded by the Department of Culture and Tourism under the Alberta Media Fund (AMF). The screen-based production sector includes film, television and digital media. The department reported its expenses for APG in the 2017 audited financial statements under the Alberta Media Fund program as $40 million (2016 – $44 million).

Context

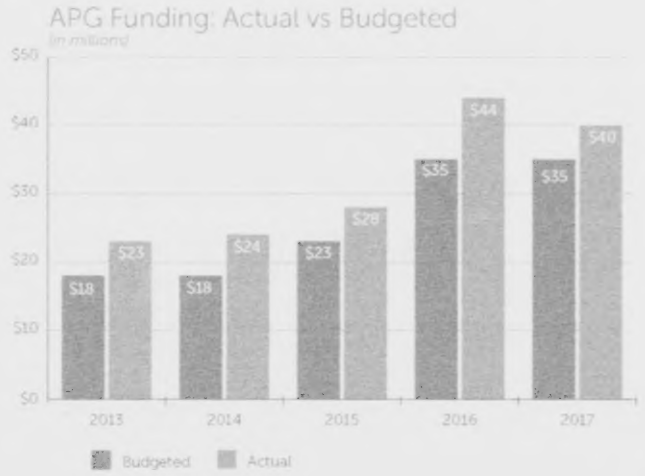
Funded through the Alberta Lottery Fund,[2] the APG program supports and encourages film and television production in Alberta. The objectives of the APG program are:

- development of Alberta-based production expertise and talent
- sustained industry development
- increased investment in Alberta-based production
- use of Alberta as an international film, television and digital content location that employs Alberta-resident production labour expertise

For each project, the department funds up to 30 per cent of all eligible Alberta expenses, or up to $5 million (whichever is less). Eligible costs generally include all expenditures where the good or service is purchased and consumed in Alberta, including the cost to hire Alberta residents in key creative positions. The department provides grant funding only when all reporting requirements have been met. Each grant recipient is required to submit audited production cost statements for projects with budgets of $200,000 or greater to provide assurance to the department that claimed expenses are true Alberta expenses.

The department uses a guideline that outlines general eligibility criteria, funding levels and definitions, including eligible Alberta costs, grant recipient obligations, the funding process and other conditions and limitations. The guideline helps grant recipients and their auditors to understand the eligibility criteria and the definition of eligible Alberta expenses.

Departmental analysis shows that the APG program contributed to economic growth and diversification in the province. In its 2016–2017 annual report, the department indicated that over the last five years it has provided $140 million to support production in the province, resulting in an estimated $510 million in direct production expenditures in Alberta.[3] In those five years, the funding for the APG program has doubled. The program is oversubscribed and continues to be in high demand.



2 The Alberta Lottery Fund is made up of the government's share of net revenues from video lottery terminals (VLTs), slot machines and ticket lotteries. These revenues total more than $1.5 billion each year and are used to support thousands of volunteer, public and community-based initiatives annually. Funding for the Alberta production grant program comes from the Alberta Lottery Fund.

3 2016-2017 Culture and Tourism annual report, page 38.

Since 2013, the department has been spending more than what was budgeted for the program yet still staying within its overall ministry-approved budget. To maintain the overall ministry budget while continuing to overspend in one program forces the department to reduce funding to other programs. Therefore, the department needs to ensure its programs are managed well.

Criteria: the standards of performance and control
The department should:

- define and document clear, easy-to-understand criteria for Alberta eligible expenses and communicate them to stakeholders
- verify that expenses are appropriate and eligible for reimbursements
- monitor the grant program and incorporate results to improve the program

Our audit findings
The department:

- is using unclear guidelines that have allowed grant recipients to claim ineligible expenses
- does not use a risk-based approach in its audits of the grant recipients
- continues to fund individuals even when the companies they own, or are associated with, claim ineligible expenses

a) Unclear guidelines have allowed grant recipients to claim ineligible expenses

An audit conducted by the department in late 2015 identified a number of grant recipients that received funding for ineligible Alberta expenses. The department identified that a lack of clarity in the definition of Alberta eligible expenses allowed grant recipients to claim ineligible expenses.

The department engaged a consultant to make recommendations on the program guidelines and develop specific audit procedures for the external auditors to use to verify expenses claimed by the applicants. The department revised its program guidelines in early 2016 to clarify the definition of Alberta eligible expenses However, the department has yet to implement its new guidelines and communicate specific audit procedures to the production companies' auditors. The department has not provided a reasonable explanation for this delay.

The department continues to provide funding to the film and television companies under guidelines that are not clear on the definition of Alberta eligible expenses. Therefore, there remains a risk that the department will continue to reimburse grant recipients for ineligible Alberta expenses. Management indicated that they will review past files to determine if funding has been provided for ineligible expenses. However, management has not provided information on the scope and timing of this review.

b) Department did not use a risk-based approach in its audits of the grant recipients

An important element of an effective granting process is monitoring and validating that the grant was spent for the purposes for which it was provided. The department relies primarily on an applicant's audited production costs statement to determine whether the claimed Alberta expenses were valid. Unclear guidelines contributed to production companies' auditors not identifying ineligible Alberta expenses.

The department also has an audit resource provided by the Alberta Gaming and Liquor Commission (AGLC)[4] that allows the department to do audits of a limited number of grant recipients. Each program area in the department is responsible for selecting files to be audited. We would expect an independent review of all selected files to be performed to ensure the audit is focused on risk areas. However, we did not find evidence that files selected by program areas were scrutinized and evaluated based on risk.

The APG program grant recipients were not audited until the department received two anonymous complaints. As a result of these complaints, the department decided to audit eight files to determine whether grant recipients claimed eligible Alberta expenses.

The department's audit, completed in October 2015, identified five recipients that claimed ineligible or unsupported expenses. Total ineligible expenses funded by the department included:

- amounts claimed as Alberta expenses for services paid to vendors in B.C., Ontario and the United States
- salary expenses claimed by one individual for three positions when eligibility criteria clearly disallowed this
- salary expenses claimed for individuals who were not Alberta residents
- production costs that were based on estimates and varied significantly from actual costs, or that were never spent

Management met with grant recipients to discuss the findings. For three of the five companies, the department did not pursue recovery of funds because the unclear guidelines made it difficult for the department to enforce compliance.

Since February 2016, the department has been trying to recover $1.2 million from the remaining two companies, one of which needed to repay the entire grant amount. In late 2016, the department reduced the recovery amount to $430,000, some of which was sent to a collection agency. The department's staff explained that they needed to be consistent with the level of leniency exercised with the other three applicants because the existing program guideline lacked clarity. To date, the department has not been able to recover the $430,000.

In late 2016, the department selected another five grant files for the AGLC to audit. The files did not include any of the grant recipients that previously were found to claim ineligible expenses. Without a clear definition of eligible Alberta expenses, the department will not be able to appropriately respond to the audit findings. Unfortunately, the department would have to fall back on applying the same level of leniency as in the previous audit.

c) Department continues to fund individuals even when the companies they own or are associated with claim ineligible Alberta expenses

Under the *Community Development Grant Regulation*, Section 8(1) and (3), the department has the authority to request a repayment of the grant if the recipient did not comply with the conditions of the grant or provided inaccurate information to

4 The Alberta Gaming and Liquor Commission conducts audits on grant programs funded through the Alberta Lottery Fund in accordance with the 2008 Memorandum of Understanding between the AGLC and Alberta Culture and Tourism. The AGLC provides a resource of one full-time equivalent that allows for an audit of 15-20 grant files a year for the ministry as a whole. The department is responsible for identifying grant files for the AGLC to audit and taking appropriate action in response to the findings.

obtain it. Although enforcing compliance with grant conditions is a last resort, the ability to do so is an important mechanism of the government to recover taxpayers' money that is not spent appropriately.

Often, large television shows have multiple seasons. According to management, it is common for a television series production to establish each season of the same television show as a separate corporation (separate legal entity) to limit its liability and claim labour tax credits. Normally, all these separate entities are owned by the same shareholders.

The department identified applicants who had previously claimed ineligible expenses and from whom it is still trying to recover the funds. Despite this, the department continued to fund subsequent seasons of the same television series for the full eligible grant amount. Management told us that they could not refuse funding or reduce future funding, because each season is set up as a separate legal entity and, as such, is considered by the department to be a different grant recipient. We did not find evidence that management obtained a legal opinion to support this decision. Although management passed on the debt to a collection agency, it is unlikely the funds will be recovered, because the legal entity is normally dissolved once the production of the season is over.

One of the production companies that needed to repay funds applied for additional funding for the production of another season of the same television show. Despite the audit results, the department still went ahead and approved $9 million to fund the production of the next season.

RECOMMENDATION: Improve controls over administration of the Alberta Production Grant program

We recommend that the Department of Culture and Tourism improve its controls over administration of the Alberta Production Grant program by:

- defining and documenting clear, easy-to-understand criteria for Alberta eligible expenses and communicating them to stakeholders
- using a risk-based approach when selecting grant files to audit
- establishing a mechanism to facilitate more timely recovery of funds in instances where the department identified applicants claiming ineligible expenses

Consequences of not taking action

Without effective controls over administration of the Alberta Production Grant program, there is an increased risk to program viability and, ultimately, its ability to contribute to economic diversification of the province.

Matters from prior-year audits

Improve financial statement preparation processes—recommendation implemented

Context

We recommended[5] that the Department of Culture and Tourism improve its financial statement preparation processes by preparing and documenting an analysis of non-routine transactions to ensure they are accounted for under appropriate accounting standards and legal authority.

Our audit findings

During the year a number of non-routine transactions occurred that included dissolution of two related entities, transfer of land, and grants issued related to the 2013 flood. We examined management's process to support accounting treatment of non-routine transactions. We found that management performed a detailed analysis to ensure the non-routine transactions were accounted for appropriately. We concluded that the department had implemented our recommendation.

Outstanding Recommendations

Department

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve controls over administration of the Alberta Production Grant program—October 2017, Financial Statement Auditing, p. 37

We recommend that the Department of Culture and Tourism improve its controls over administration of the Alberta production grant program by:

- defining and documenting clear, easy-to-understand criteria for Alberta eligible expenses and communicating them to stakeholders
- using a risk-based approach when selecting grant files to audit
- establishing a mechanism to facilitate more timely recovery of funds in instances where the department identified applicants claiming ineligible expenses

5 *Report of the Auditor General of Alberta—October 2016*, no. 13, p.88

Economic Development and Trade

October 2017

Summary

Department

The Department of Economic Development and Trade has implemented our recommendations to improve its financial reporting process—see below.

The department has also implemented our recommendation to evaluate the performance of its international offices—see page 42.

There are no new recommendations to the department in this report.

Alberta Innovates

Alberta Innovates should improve its financial reporting processes—see page 43.

Alberta Innovates has implemented our recommendation to the former —Alberta Innovates—Energy and Environment Solutions to improve its revenue recognition processes for financial reporting—see page 45.

Alberta Enterprise Corporation

Alberta Enterprise Corporation has implemented our recommendation to improve its policies and processes to assess and account for impairment losses—see page 45.

There are no new recommendations to the corporation in this report.

Findings and Recommendations

Department

Matters from prior audits

Financial reporting processes—recommendation implemented

Context

In 2016[1] we recommended that the Department of Economic Development and Trade improve its internal controls and quality review processes to ensure prompt preparation of accurate financial reporting.

Our audit findings

The department implemented our recommendation to strengthen its year-end processes and controls by:

- documenting processes and controls to avoid processing errors
- increasing staff capacity required to effectively apply the processes and enhancing staff training on policies, processes and controls
- improving monitoring and review processes by senior management on financial reporting accuracy

1 *Report of the Auditor General of Alberta—October 2016*, no. 14, page 85.

We examined:

- management's documentation of processes and control procedures and found them to be adequate—We performed a walk-through of key controls that management used for its consolidation processes and found no exceptions.
- the training material for program areas on expense recording and found them to be adequate—We tested a sample of expenses recorded throughout the year and management's accrual of expenses at year-end and found no exceptions.
- the evidence of management's review of supporting documents to ensure completeness and accuracy of its financial reporting—We tested a sample of journal entries and year-end reconciliations for proper support and management review. We found no exceptions.

We conclude that management's processes and controls for financial reporting are operating effectively. The process improvements resulted in better analysis and conclusions to support financial statement balances. We identified no material differences when examining the application of accounting standards on ministry and department transactions during the 2016–2017 audit.

Evaluating international offices' performance—**recommendation implemented**

Context

In 2008[2] we recommended that the Department of Economic Development and Trade improve the processes management uses to evaluate the performance of each international office. We repeated our recommendation in 2015[3] as we found that the department still had not established a policy to regularly perform in-depth reviews of the relevance and cost effectiveness of each international office, nor did it adequately report the variance analysis on results and performance measures for each international office.

Our audit findings

The department implemented our recommendation to improve the processes management uses to evaluate the performance of each international office.

Regular in-depth reviews of each international office

The department developed policy and procedure documents for reviews of international offices effective April 2017. The documents provide procedural direction and timelines for management's periodic in-depth reviews.

The policy requires an in-depth review of each individual office every four to six years. This review window allows the department flexibility to adequately assess an international office's performance relative to the operational and economic decisions the department periodically makes for each office. The department evaluates each international office and the entire network of offices, both qualitatively and quantitatively, on their relevance and cost effectiveness. Specific performance measures considered in the in-depth review include the number of trade events attended, trade leads generated and trade wins facilitated. The department will annually report the results of these performance measures for each office in the department's annual report regardless of whether an in-depth review is completed in that year.

2 *Report of the Auditor General of Alberta—October 2008*, page 324.
3 *Report of the Auditor General of Alberta—March 2015*, page 121.

The department last reported an internal review of international offices in February 2015. This report concluded on some cost savings opportunities, specific office closures and process recommendations for the department to consider in future office reviews. Taking this 2015 department review as a benchmark, department staff plan to perform the first in-depth review in fiscal 2019, using the department's new procedures.

We conclude that the department has developed adequate processes to perform in-depth reviews of each international office. We cannot conclude on the operating effectiveness of the in-depth review process until the first reviews are completed. We will examine the effectiveness of the in-depth reviews as part of our financial statement audit in fiscal 2019.

The department replaced its spreadsheet-based processes to monitor the annual results from international offices with a client relations management system, effective April 1, 2016. The client relations management system collects and tracks information on the economic benefit each international office generates annually. Management monitors the results from the system monthly. The economic benefit from trade wins facilitated by an individual office may be confidential. Therefore, the department will report to Albertans only the annual aggregate economic benefit derived from the international offices.

We examined the training documents staff received to use the client relations management system, and tested key controls in the system, and found them to be adequate.

Annual reporting on performance of international offices

The department reports on the performance of each individual international office in an appendix to the department's annual report. Information provided in the report includes staffing levels, operating budgets, actual results and a basic variance analysis of each office. The department also includes information and analysis on the comparison of targets to actual results for five performance measures and the value of the aggregate economic benefit generated by the international offices in the fiscal year.

We examined the reporting of performance measures and variance analyses of international offices in the ministry's 2016–2017 annual report and found it to be adequate. We also agreed, without exception, on the reported amounts relative to individual office performance measures in the annual report, and the annual aggregate economic benefit generated by the offices relative to year-to-date reports from the department's client relations management system.

Alberta Innovates

Matters from current audit

Financial reporting processes

Context

Management of Alberta Innovates is responsible for ensuring that it has effective internal controls and quality review processes to promptly prepare accurate and complete annual financial reporting, which include:

- processes to properly authorize and approve transactions
- analysis and conclusions on the recording and presentation of transactions in accordance with Canadian public sector accounting standards

- analytical processes to review amounts recorded as compared to the prior year's actual and budgeted amounts for unexpected variances
- overall review of accuracy and completeness of information presented in annual financial reporting

Criteria: the standards of performance and control
Alberta Innovates should have efficient and effective financial reporting processes in place to ensure management can promptly prepare accurate and complete financial reporting.

Our audit findings

Key Finding

Management did not identify, analyze and record unique transactions, resulting in material differences in the draft consolidated financial statements.

Management generally has adequate internal controls, analysis and quality review processes in place to promptly prepare the corporation's annual financial reporting.

We identified that management had not recorded and presented accurate and complete information in the draft consolidated financial statements on:

- transactions related to a building construction agreement by a subsidiary of the corporation
- salary and benefit disclosures of key executives of the corporation

Although management adjusted these material differences in the consolidated financial statements the root cause of these differences was weaknesses in financial reporting controls.

Management should have analyzed the building construction agreement in accordance with Canadian public sector accounting standards and performed a thorough review of the salary and benefit disclosures of key executives for accuracy and completeness.

To ensure management can promptly prepare accurate annual financial reporting, management must improve its processes to:

- document all significant transactions, analyse and conclude on accounting treatment based on Canadian public sector accounting standards and government reporting directives
- communicate with program areas to obtain timely information that supports financial reporting
- perform quality review and monitor financial reporting processes
- communicate and consult with the Department of Economic Development and Trade on issues that impact the ministry consolidated financial statements

RECOMMENDATION: Improve financial reporting processes

We recommend that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.

Consequences of not taking action

Ineffective internal controls and processes for financial reporting result in errors or omissions that may be material to the financial statements. Senior management risks making operational decisions based on inaccurate or incomplete financial information.

Matters from prior audit

Revenue recognition processes for financial reporting —recommendation implemented

Context

In 2014,[4] we recommended that Alberta Innovates—Energy and Environment Solutions[5] improve its processes to ensure management incurred eligible expenses before recording restricted funding contributions as revenue in the financial statements.

Our audit findings

Management implemented our recommendation by:

- completing an evaluation of contracts to identify restrictions that funders placed on the use of funds
- identifying eligible expenses incurred as stipulated in each contract
- documenting the matching of eligible costs with revenue recognition of restricted funds for financial reporting purposes

We tested the revenue recognition of restricted grants and found no exceptions. We conclude that management's processes are adequate and operating effectively.

Alberta Enterprise Corporation

Matters from prior audit

Improve policies and processes to account for investment impairments —recommendation implemented

Context

In 2016,[6] we recommended that Alberta Enterprise Corporation develop and implement policies and procedures to assess and account for investment impairment losses. Management is required under accounting standards to record an investment impairment loss when management expects an investment's fair value to remain below its original cost.

Our audit findings

The corporation has implemented our recommendation to improve its policies and processes to account for investment impairments. We examined:

- the corporation's investment impairment policies and processes
- management's assessment of potential impairments
- evidence of reviews and approvals of the impairment assessment

We found the corporation's policy and procedures to be adequate and identified no exceptions to their application in the preparation of the corporation's fiscal 2017 financial reporting.

4 *Report of the Auditor General of Alberta—October 2014*, no. 19, page 159.

5 The government dissolved Alberta Innovates - Energy and Environment Solutions on Oct 31, 2016 and combined its operation with three other former innovates corporations into one single corporation – Alberta Innovates. Our follow-up audit included examining funding received related to the former Energy and Environment Solutions within the new corporation.

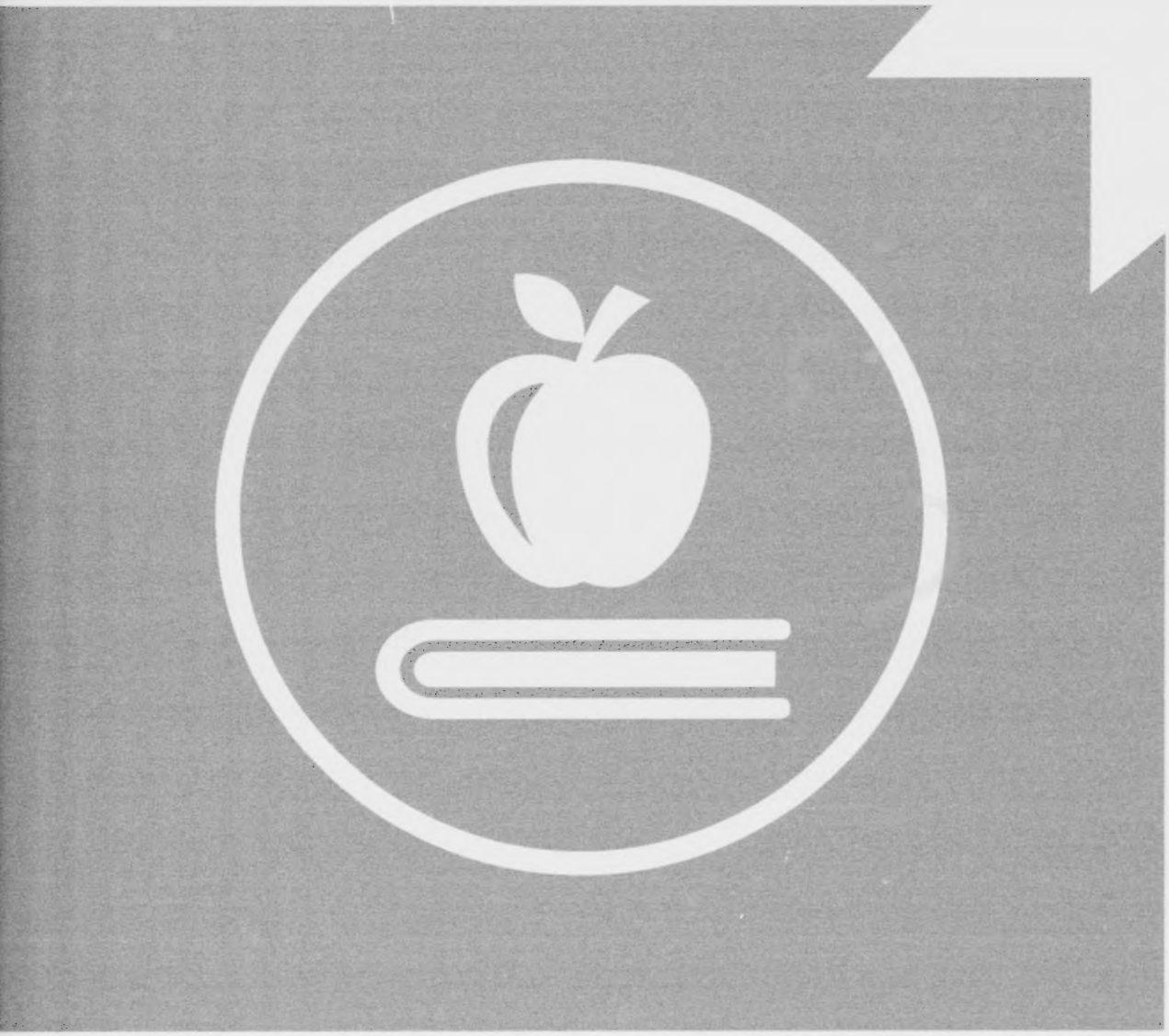
6 *Report of the Auditor General of Alberta—October 2016*, no. 15, page 86.

Outstanding Recommendation

Alberta Innovates

The following recommendation is outstanding and not yet ready for a follow-up audits

Improve financial reporting processes—October 2017, Financial Statement Auditing, p. 44
We recommended that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.



Education

October 2017

Summary

Department

Matters from current and prior audits
There are two new recommendations for the Department of Education in this report—see below and page 50.

In accordance with Section 19(4) of the *Auditor General Act*, we have compiled a summary of the results of school jurisdictions' audited fiscal 2016 financial statements and management letters—see page 52.

Northland School Division No. 61

There are no new recommendations for the Northland School Division in this report. The division implemented processes to improve its financial reporting—see page 51.

In May 2017, amendments to the *Northland School Division Act* resulted in the Auditor General no longer being the legislated auditor for the division. The Board of Trustees of the Division may now choose the external auditor, a process consistent with all other school jurisdictions in the province.

Findings and Recommendations

Department

Matters from the current audit

Enterprise Risk Management Process

Context
Enterprise risk management is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. Treasury Board and Finance requires every ministry to implement and document an enterprise risk management process.

Enterprise risk management process provides a ministry with:

- the capacity to make informed decisions when setting or revising priorities and allocating resources
- increased confidence in achieving its desired goals
- effective constraints on threats, bringing them to acceptable levels
- the basis to make informed decisions about exploiting opportunities

Criteria: the standards of performance and control
The department should have an enterprise risk management process through which it can:

- identify, analyze and evaluate sources of risk, areas of impact, and potential causes and consequences, regardless of whether the source of risk is controlled by the department
- implement strategies to manage risks
- document the senior executive team's consideration and approval of the key risks and mitigating strategies
- regularly monitor and evaluate its risk management process to ensure continuous improvement

Our audit findings

Key Finding

The department does not have a complete enterprise risk management process.

We found that the department has been working on developing and implementing an enterprise risk management process for the last few years, but progress has been slow.

We interviewed department staff and examined the department's draft Risk Register and Treatment Plan. We observed the plan has no comprehensive list of risks the ministry faces, the department has not assessed and prioritized identified risks based on likelihood and impact and the senior executive team has yet to approve the plan.

As the department finalizes its plan, department management should incorporate other important elements of an effective enterprise risk management process, including:

- integrating risk management at the strategic, program and operational levels
- ensuring that all staff have training in risk management and are aware of the relevance of risk to the achievement of their goals
- regularly monitoring risks and evaluating the risk management program for effectiveness

RECOMMENDATION: Implement an enterprise risk management process

We recommend that the Department of Education implement an enterprise risk management process.

Consequences of not taking action

Without an enterprise risk management process, department management will not effectively manage risks that can hinder the department's ability to meet its goals.

Capital project financial reporting processes

Context

The department is responsible for budgeting, tracking and reporting on costs for school construction projects managed by Alberta Infrastructure and school jurisdictions. Department staff track the total approved costs and work-in-progress for each school-building project. The department reports the total school construction costs and related future obligations in its annual financial statements.

Criteria: the standards of performance and control

The department should have a process to:

- track school construction costs and future obligations accurately
- review construction cost information to ensure accuracy—The reviewer should be independent of those tracking cost information
- report obligations for school construction costs accurately and completely in the financial statements

Our audit findings

Key Finding

The department does not have adequate processes to ensure it reports complete and accurate information on cost obligations for school construction projects in the department financial statements.

We found that the department does not have adequate processes to report accurate information on the total approved school construction costs and future obligations. Department staff use a spreadsheet to manually track and report on school construction project costs. Information in the spreadsheet did not agree with supporting documents. We found no evidence of secondary review to ensure the information entered into the spreadsheet was accurate and complete. As a result, we found significant errors in the financial statement disclosure of the department's future contractual obligations under school construction contracts.

RECOMMENDATION: Improve controls over tracking and reporting cost obligations for school construction projects

We recommend that the Department of Education improve controls over tracking and reporting cost obligations for school construction projects.

Consequences of not taking action

Without adequate tracking and monitoring processes, the department will not adequately report accurate and complete information to Albertans on school construction projects cost obligations.

Northland School Division No. 61

Matters from the prior audit

Improve financial reporting—recommendation implemented

Our audit findings

The division has implemented our 2010 recommendation,[1] repeated in 2015,[2] to improve its financial reporting by:

- preparing and presenting quarterly financial information to the Official Trustee
- regularly reviewing and reconciling general ledger accounts
- preparing year-end financial statements promptly

The division implemented the first part of the recommendation in 2015, which continues to operate effectively. We followed up on the remaining two parts of the recommendation during our 2016 audit. We found that the division made significant improvements in its financial statement preparation processes. We received accurate and complete financial statements within scheduled year-end timelines. We audited the division's processes for the reconciliation of sub ledgers to the general ledger, estimation of accounts payable accruals and valuation of accounts receivable balances. We found no deviations.

1 *Report of the Auditor General of Alberta—October 2010*, no. 14, page 134.
2 *Report of the Auditor General of Alberta—October 2015*, no. 10, page 86.

Management can continue to improve its financial reporting process to document its analysis of extraordinary or significant one-time transactions. Management's interpretation and application of accounting standards on these complex transactions requires clear documentation on presentation and disclosure conclusions. We observed management did not prepare proper analysis to account for the costs and insurance recovery from damages suffered in the 2016 wildfire. Management made significant adjustments to the division's fiscal 2016 financial reporting once analysis of this event was completed.

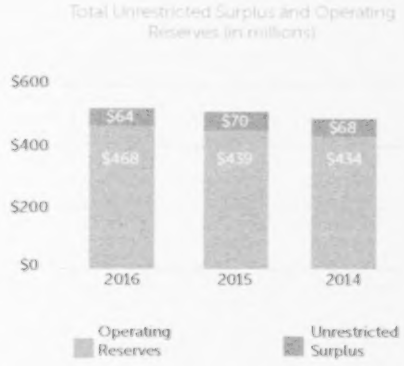
Summary of results—School jurisdiction audited financial statements and management letters

We have completed our Section 19(4) summary of results of school jurisdictions' audited financial statements and the management letters provided by their auditors for the year ended August 31, 2016. We have also provided comparative results for the fiscal years ended August 31, 2015 and 2014.

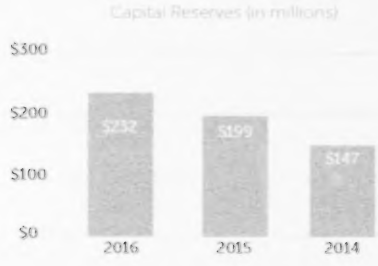
1. Summary

Highlights are:

- One school jurisdiction received a qualified audit opinion on its financial statements (2015 – one; 2014 – two).
- The net consolidated accumulated unrestricted operating surplus and operating reserves[3] increased to $532 million (2015 – $509 million; 2014 – $502 million). No jurisdiction has an accumulated deficit (2015 – none, 2014 – one).



- Capital reserves[4] increased to $232 million (2015 – $199 million; 2014 – $147 million).



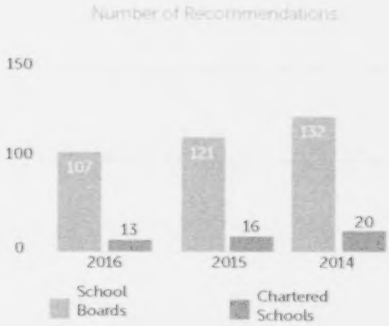
3 Reserves are an unrestricted surplus that the school trustees have internally restricted for a planned future operating or capital expenditure. The trustees restrict the unrestricted surplus into a reserve (or remove restrictions to increase the unrestricted surplus) at their discretion through an approved board of trustees resolution. Operating reserves also include school-generated funds, which are non-discretionary funds raised by the schools for a specific purpose. School-generated funds in 2016 are $42 million (2015 – $41 million; 2014 – $42 million).

4 Capital reserves are the funds set aside by the board to meet future capital expenditures. Once the capital reserves are established, the funds cannot be spent on operating purposes without ministerial approval.

- The number of school jurisdictions that incurred annual operating deficits decreased to 31 (2015 – 32; 2014 – 28)
- The combined net operating surplus of all jurisdictions was $79 million on a budgeted deficit of $60 million (2015 – $76 million on a budgeted deficit of $94 million; 2014 – $81 million on a budgeted deficit of $72 million). Over the past 10 years[5] jurisdictions incurred a total net operating surplus of $684 million, compared to the total budgeted deficit of $682 million.

- The total cash, cash equivalents and portfolio investments decreased to $1.4 billion (2015 – $1.5 billion; 2014 – $1.1 billion). The current-year decrease relates to a new payment process the department implemented last year, where school jurisdictions receive funding as school construction is being completed.

- The total number of recommendations made to school jurisdictions by their auditors decreased to 120 (2015 – 137; 2014 – 152). School jurisdiction trustees should continue to hold their management accountable for continuing to improve identified weaknesses.
- 38 jurisdictions had no recommendations (2015 – 25; 2014 – 23).



- There were no significant changes in the type of recommendation made to jurisdictions. There were improvements in the areas of accounting, review of financial information and school-generated funds. However, school jurisdictions have had the most difficulty in sustaining adequate processes in areas related to review of financial information, cash management, implementation of policies and procedures, purchasing, and payroll.

5 In 2007 the combined net operating surplus of all jurisdictions was $150 million on a budgeted surplus of $16 million. In 2010 jurisdictions reported a combined net operating deficit of $14 million on a budgeted deficit of $124 million.

2. Background

We are the appointed auditor of one of the school jurisdictions, Northland School Division No. 61.[6] For all other school jurisdictions, we examined the management letters of their auditors and the auditors' reports on the financial statements. Those audits were not designed to assess all key systems of control and accountability. The auditors do report to management about weaknesses that come to their attention when auditing the financial statements.

The composition of school jurisdictions for the past three years is:

School Board[7]	Chartered School	Total
61	13	74

3. Findings

3.1 Financial reporting

Under Section 151 of the *School Act*, school jurisdiction auditors must send management letters, auditors' reports and audited financial statements to the minister by November 30 of each year.

Auditors' reports—One school jurisdiction received a qualified auditor's report on its fiscal 2016 financial statements (2015 – one; 2014 – two). The auditor issued a qualified report as he/she was unable to verify the completeness of gifts, donations and fundraising revenue.

Financial statements—Twenty-five school jurisdictions and six charter schools incurred an annual deficit from operations (2015 – 26 school jurisdictions and six charter schools; 2014 – 21 school jurisdictions and seven charter schools). School jurisdictions combined were budgeting to incur annual operating deficits of about $60 million for 2016 as some school jurisdictions planned to use reserves to offset annual operating deficits. Annual deficits from operations are acceptable to the department as long as jurisdictions have sufficient accumulated surpluses available to cover the shortfall. Rather than an overall deficit, school jurisdictions had a combined net annual operating surplus in 2016 of $79 million (2015 – $76 million surplus; 2014 – $81 million surplus). Over the past 10 years[8] jurisdictions incurred a total net operating surplus of $684 million compared to the total budgeted deficit of $682 million.

Accumulated deficits from operations are not acceptable to the ministry. School jurisdictions with accumulated deficits from operations are expected to submit a deficit elimination plan and work with the ministry to eliminate the deficit. No school boards had an accumulated deficit from operations in the past three fiscal years. No charter schools had an accumulated deficit from operations in the past six fiscal years.

6 In May 2017, legislators amended the *Northlands School Division Act*. Starting in fiscal 2017, the auditor general is no longer the legislated auditor of the division.

7 The total number of school boards excludes Alberta Distance Learning (ADL). The Ministry of Education requires ADL to submit a separate set of audited financial statements.

8 In 2007 the combined net operating surplus of all jurisdictions was $150 million on a budgeted surplus of $16 million. In 2010 jurisdictions reported a combined net operating deficit of $14 million on a budgeted deficit of $124 million.

The combined accumulated unrestricted surplus and operating reserves increased to $532 million (2015 – $509 million; 2014 – $502 million), or seven per cent of the total operating expenses for jurisdictions in fiscal 2016. The department monitors whether the school jurisdictions' combined accumulated unrestricted surplus and operating reserves,[9] as a percentage of total operating expenses, are within a reasonable range—one to five per cent (2014 – one to four per cent). Forty-four jurisdictions were above five per cent and two jurisdictions were below one per cent at August 31, 2016 (2015 – 49 jurisdictions above five per cent and one below one per cent; 2014 – 60 jurisdictions above four per cent and two below one per cent).

The department implemented a new requirement in 2016 for school jurisdictions to outline their plans for the use of the operating and capital reserves during 2016. If it is concluded that school jurisdictions have excessive reserves, mechanisms to reduce reserve balances include recovering funding from jurisdictions, directing school boards to apply reserves to targeted areas or implementing a short-term overall funding reduction to the system. Department management examined school jurisdictions' 2016 financial reporting and investigated 30 school jurisdictions that had significant deviations from their plans. The department concluded from their investigations that none of the school jurisdictions required an adjustment to their reserve balances.

The total cash, cash equivalents and portfolio investments decreased to $1.4 billion (2015 – $1.5 billion; 2014 – $1.1 billion). The department implemented a new payment process in 2016 where school jurisdictions receive funding as construction is progressing. The department's analysis indicated that cash and the unexpended deferred capital balances[10] decreased after the implementation of the new payment process. The department concluded that the new payment method was effective in reducing the accumulation of cash and cash equivalents by school jurisdictions.

The net book value of tangible capital assets at school jurisdictions is approximately $6.6 billion (2015 – $5.5 billion; 2014 – $5.3 billion). These assets are funded through a combination of the school jurisdictions' accumulated surplus, restricted grant funding, and debt. As at August 31, 2016, school jurisdictions funded approximately $646 million, or 10 per cent, of these assets from unrestricted surpluses (2015 – $624 million; 2014 – $594 million). School jurisdictions have also set aside capital reserves of $232 million for future capital expenses (2015 – $199 million; 2014 – $147 million).

Similar to our last three summary reports,[11] we were unable to identify any analysis in the department's annual report of the reasonableness of:

- the unrestricted surplus and operating reserve balances and the expected future performance improvements at jurisdictions from applying these funds
- cash, cash equivalent and portfolio investment balances and their correlation with future plans at the school jurisdictions to apply these funds

9 For the purposes of this analysis, operating reserves exclude school-generated funds as school trustees cannot apply discretion in the use of these funds.

10 The unexpended deferred capital balance is reported as part of the total deferred revenue line item on page 269 of Alberta Education's 2016–17 Annual Report. It represents cash paid by the department to fund school jurisdictions' capital-related expenses. As of August 31, 2016, the total unexpended deferred capital balance is $234 million (2015 – $333 million).

11 *Report of the Auditor General of Alberta—October 2016*, page 93, *Report of the Auditor General of Alberta—October 2015*, page 84, and *Report of the Auditor General of Alberta—October 2014*, page 122.

- surplus amounts and the expected future budgeted operating surplus/deficits at jurisdictions
- capital reserves relative to the department's future capital planning

We will consider performing a detailed examination of the effectiveness of the department's monitoring processes as part of our annual financial statement audit.

3.2 Management Letter Recommendations

There were 120 recommendations made to school jurisdictions for fiscal 2016 (2015 – 137; 2014 – 152). Auditors for 38 school jurisdictions did not report any findings and recommendations to management (2015 – 25; 2014 – 23). Some school jurisdictions improved in the areas of accounting, review of financial information and school-generated funds. However, more school jurisdictions received recommendations on IT security and change management than in the prior year. Processes related to review of financial information, cash management policies and procedures, purchasing and payroll have posed the most difficulty for school jurisdictions to sustain annually. We encourage all school jurisdiction trustees to hold management of their respective jurisdictions accountable for implementing all process recommendations identified. The department contacts jurisdictions, where necessary, to encourage them to resolve control weaknesses identified in the management letters, particularly recommendations repeated from prior years.

The following is a summary of the audit findings and recommendations reported to school jurisdictions by their auditors for the fiscal year ended August 31, 2016 compared to the fiscal year ended August 31, 2015.

We have grouped our summary of audit findings into the following categories:

- financial reporting and oversight
- internal control weaknesses
- information technology management

Users of this summary should keep in mind that the audits from which these findings came were not designed to assess all key control and accountability systems. Our summary of the recommendations made to school jurisdictions identifies trends across the sector. The Department of Education and school jurisdictions can use this information to work together to rectify identified common control weaknesses. Management of individual school jurisdictions can also use this information to proactively consider the sustainability of their jurisdictions' control environment, particularly where the trend is an increasing number of recommendations. We do not identify the school jurisdictions associated with recommendations, as this information is not necessary in order for the department and school jurisdictions to achieve their desired outcome—establishing sector-wide strong, sustainable internal controls for financial reporting.

3.3 Financial reporting and oversight recommendations

Accounting issues—Five jurisdictions (not included in the nine reported in 2015) should resolve the issues in accounting treatment relating to capitalization versus expensing items, recognizing liabilities appropriately, revenue recognition, leases and its relevant costs.

Board approval—No jurisdictions (one reported in 2015) failed to ensure that board minutes are approved appropriately.

Board information—One jurisdiction (not the one reported in 2015) should ensure that the board receives timely financial information to maintain and strengthen overall stewardship.

Budgetary process—Three jurisdictions (including one of the three reported in 2015) should improve their budgetary processes.

Review of financial information—Ten jurisdictions (including five of the 14 reported in 2015) should improve their review and approval of financial information such as bank reconciliations, journal entries, monthly financial statements, and variances between budget and actual expenditures.

Timeliness of recording financial information—Two jurisdictions (neither of which was the one reported in 2015) should ensure that accounting transactions for capital assets and capital grant expenditures, accruals and receivables are recorded accurately and financial statements are prepared promptly.

Personnel and staff shortages—Four jurisdictions (including one of the three reported in 2015) should implement succession plans or cross-training for key financial positions or review the allocation of staff resources in the accounting function.

3.4 Internal control weakness recommendations

Cash management—Eight jurisdictions (including two of the seven reported in 2015) should improve cash management processes and controls.

Capital assets—Five jurisdictions (not included in the four reported in 2015) should improve the recording and tracking of capital assets.

Goods and services tax—Two jurisdictions (neither of which was the one reported in 2015) should improve their processes for charging the appropriate amount of GST and for recording accurately the amount of GST paid and recoverable.

Payroll—Seven jurisdictions (including two of the 11 reported in 2015) should improve controls over the administration of employee payroll information, processing of expense claims, application of vacation pay policies and regular reviews of payroll expenses.

Policies and procedures—Twelve jurisdictions (including three of the 11 reported in 2015) should implement, update or follow formal procedures and policies.

Purchases—Eleven jurisdictions (including five of the 12 reported in 2015) should improve controls over the purchase cycle such as the review and authorization processes over purchases and payments, employee sign-off for goods received, and retention of supporting documentation.

Segregation of duties—Three jurisdictions (including one of the three reported in 2015) should segregate duties over authorization and recording of transactions or custody of and accounting for certain assets.

School-generated funds—Five school jurisdictions (including four of the 14 reported in 2015) should improve the processes used to collect, record, spend and report school-generated funds.

3.5 Information technology management recommendations

Computer security—Four jurisdictions (including the two reported in 2015) should improve computer security processes by having unique individual usernames and passwords, implementing a mandatory password change policy, having user access restricted for the appropriate information and backing up data at an offsite location.

Change management—Five jurisdictions (including one of the two reported in 2015) should implement or enhance formal, documented policies and procedures for managing and testing changes to system and network software or hardware.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to improve student attendance in Northland School Division: Oversight by the department—March 2015, no. 2, p. 23
We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:

- the division develops and executes an operational plan to improve student attendance
- the operational plan identifies the resources needed and how results will be measured, reported and analyzed

Education & Infrastructure—School-building Program: Clarify roles and responsibilities —April 2016, no. 1, p. 9
We recommend that the Department of Education improve its oversight of the school-building program by:

- working with the Department of Infrastructure to clarify the roles and responsibilities of each
- developing clear decision making authorities for the program

Education & Infrastructure—School-building Program: Improve the planning and approval process—April 2016, no. 2, p. 12
We recommend that the Department of Education improve project approvals for new schools and modernizations by:

- implementing a gated approval process
- identifying the approval gates, required deliverables and responsibilities for completion of the deliverables

Education & Infrastructure—School-building Program: Improve systems to manage and control projects—April 2016, no. 3, p. 13

We recommend that the Department of Education improve its systems to manage and control school capital projects by:

- agreeing on project expectations promptly with school jurisdictions and Infrastructure, including scope, budget and key milestones
- developing and implementing change management policies and procedures

Education & Infrastructure—School-building Program: Improve reporting systems and controls—April 2016, no. 6, p. 16

We recommend that the Department of Education define and report on the key performance indicators of the school-building program.

Education & Infrastructure—School-building Program: Match capital funding to project progress—April 2016, no. 8, p. 19

We recommend that the Department of Education improve its cash flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress.

Education & Infrastructure—School-building Program: Submit revised plan for approval—April 2016, no. 9, p. 19

We recommend if Treasury Board adjusts the Department of Education's funding request, the Department of Education should submit its revised school-building program plan to the Treasury Board for approval. The revised plan should align with the approved funding and should clearly identify the impact on project progress.

Enterprise risk management process —October 2017, Financial Statement Auditing, p. 50

We recommend that the Department of Education implement an enterprise risk management process.

Capital project financial reporting processes—October 2017, Financial Statement Auditing, p. 51

We recommend that the Department of Education improve controls over tracking and reporting cost obligation for school construction projects.

Education and Infrastructure

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve systems to manage and control projects—April 2016, no. 4, p. 14

We recommend that the departments of Education and Infrastructure improve the planning process by:

- identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors
- basing oversight of projects managed by school jurisdictions on risk

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 7, p. 16
We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:

- defining reporting requirements, including measures to assess project performance
- using a common reporting system that specifies where information will be retained, who will update it and how it will be updated

Northland School Division No. 61

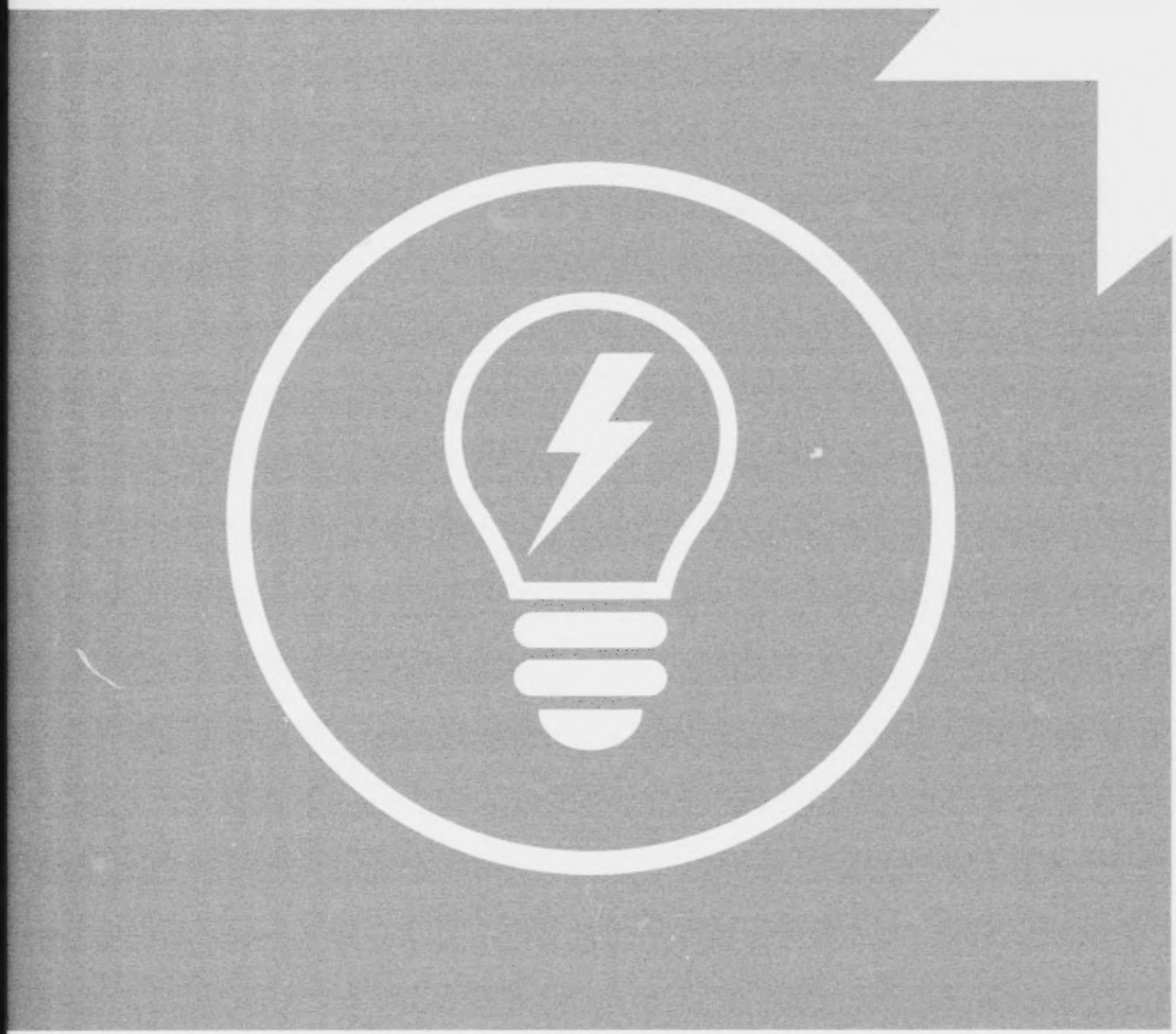
The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to improve student attendance in Northland School Division: Develop plan to improve student attendance—March 2015, no. 1, p. 23
We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:

- measurable results and responsibilities
- a prioritized list of student-centered strategies, initiatives and programs
- documentation of the costs and resources required to action the strategies, initiatives and programs
- a specific timeline for implementation
- reporting on progress and accountability for improved attendance results

Systems to improve student attendance in Northland School Division: Monitor and enforce student attendance—March 2015, no. 3, p. 30
We recommend that Northland School Division improve its guidance and procedures for schools to:

- consistently record and monitor student attendance
- benchmark acceptable attendance levels
- manage and follow up on non-attendance



Energy

October 2017

Summary

Department

There are no new recommendations to the Department of Energy in this report.

Alberta Energy Regulator

There are no new recommendations to the Alberta Energy Regulator in this report.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Evaluate and report on royalty reduction program objectives—February 2016, no. 1, p. 18
We recommend that the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives.

Improve controls over access to key business systems—October 2016, no. 16, p. 99
We recommend that the Department of Energy document conflicting roles within its key business systems and ensure appropriate controls are in place where conflicting roles are identified.

Alberta Energy Regulator

The following recommendations are outstanding and not yet ready for follow-up audits:

Systems to regulate pipeline safety and reliability in Alberta: Formalize training program for core pipeline staff—March 2015, no. 5, p. 46
We recommend that the Alberta Energy Regulator complete a skills gap analysis and formalize a training program for its core pipeline staff.

Systems to regulate pipeline safety and reliability in Alberta: Identify performance measures and targets—March 2015, no. 6, p. 51
We recommend that the Alberta Energy Regulator identify suitable performance measures and targets for pipeline operations, assess the results obtained against those measures and targets, and use what it learns to continue improving pipeline performance.

Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

Systems to regulate pipeline safety and reliability in Alberta: Use risk management activities to make informed decisions—March 2015, no. 4, p. 46
We recommend that the Alberta Energy Regulator use its risk management activities to make informed decisions on allocating resources and determine the nature and extent of activities to oversee pipelines.

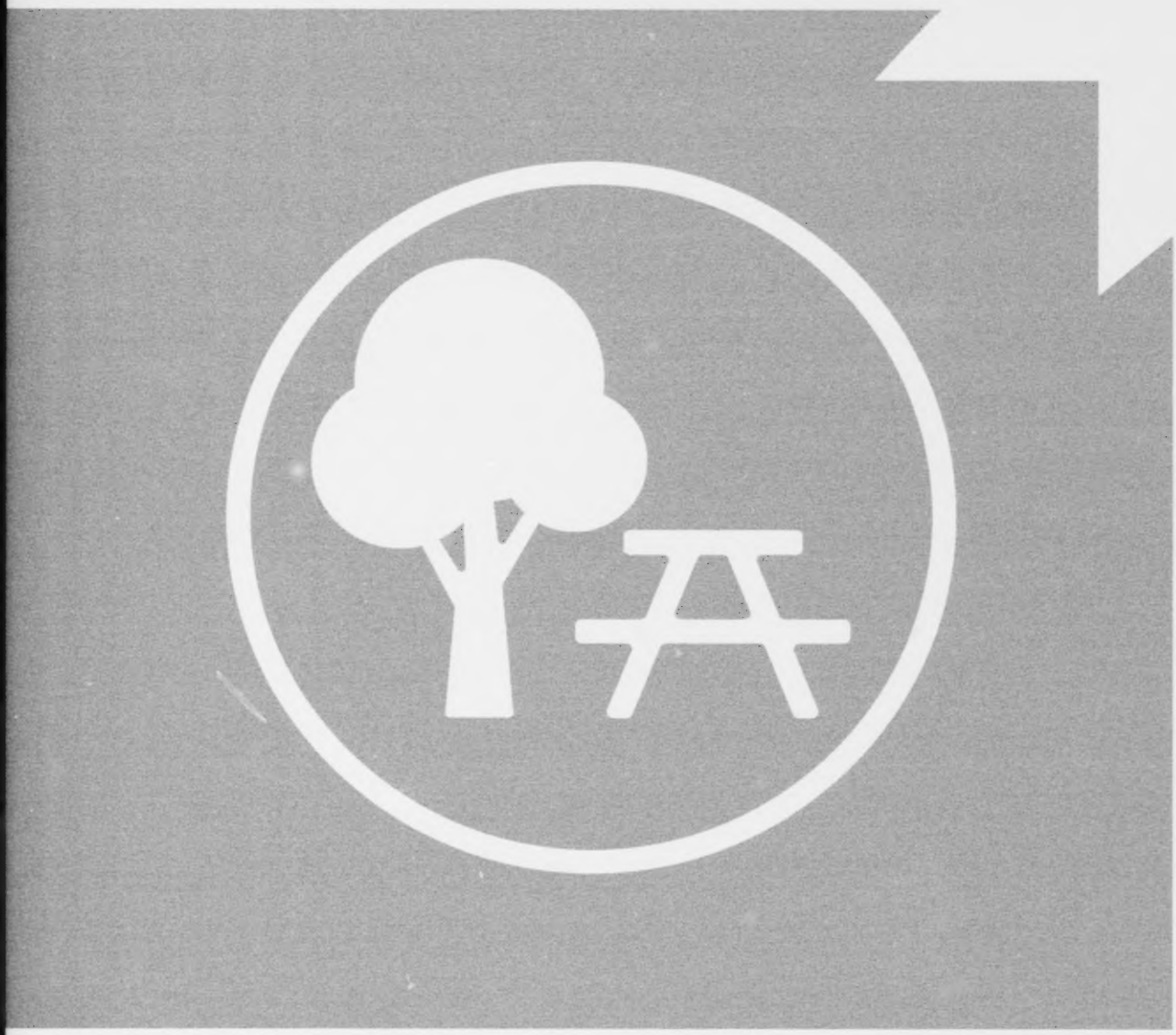
Systems to regulate pipeline safety and reliability in Alberta: Review pipeline incident factors—March 2015, no. 7, p. 53
We recommend that the Alberta Energy Regulator:

- expand its analysis of pipeline incident contributing factors beyond the primary causes
- promptly share lessons learned from its investigations with industry and operators

Systems to regulate pipeline safety and reliability in Alberta: Assess current pipeline information—March 2015, no. 8, p. 56
We recommend that the Alberta Energy Regulator complete an assessment of its current pipeline information needs to support effective decision making, and determine the type and extent of data it should collect from pipeline operators, through a proactive, risk-based submission process.

Systems to regulate pipeline safety and reliability in Alberta: Implement risk-based compliance process—March 2015, no. 9, p. 59
We recommend that the Alberta Energy Regulator implement a cost effective risk-based compliance process to evaluate the adequacy and effectiveness of pipeline operators' integrity management programs, and safety and loss management systems.

Systems to ensure sufficient financial security for land disturbances from mining: Improve program monitoring—July 2015, no. 3, p. 31
We recommend that the Alberta Energy Regulator, as part of its enterprise risk assessment process, develop and execute on a risk-based plan for its Mine Financial Security Program monitoring activities to ensure it is carrying out the appropriate amount of verification.



Environment and Parks

October 2017

Summary

Department

There are no new recommendations for the Department of Environment and Parks in this report. The department implemented our October 2015 recommendation to improve its financial reporting processes—see below.

Energy Efficiency Alberta

There are no new recommendations to EEA in this report.

Natural Resources Conservation Board

There are no new recommendations to the NRCB in this report.

Findings and Recommendations

Department

Matters from prior audits

Improve financial reporting process—recommendation implemented

Background

In 2015[1] we recommended that the Department of Environment and Parks improve its process for preparing timely and reliable financial statements by:

- improving the quality of documentation and working papers to support financial statement items and disclosures
- preparing reconciliations for key financial statement balances
- scheduling and evidencing management reviews of financial statements, working papers and supporting documentation before the audit

In our 2015 audit, we found the department's finance group did not promptly prepare financial statements, reconcile transactional listings of revenues from revenue systems to the general ledger or account for restatement transactions until year end.

Our audit findings

The department has implemented the recommendation.

The department made the following process improvements:

- designing an implementation plan and following up on actions to work through problem areas in its financial reporting process
- performing an assessment of staffing in finance, giving the department capacity to prepare additional working papers, and higher quality key account reconciliations, and allowing secondary review of working papers
- completing the accounting for reorganization transactions earlier in the reporting cycle
- implementing a soft close in the third quarter of the fiscal year to simulate the year-end process

1 *Report of the Auditor General of Alberta—October 2015*, no. 11, page 91.

- putting into place an effective working paper preparation, cut-off and review process supported with strict enforcement of timelines
- fixing reconciliation differences between the asset management systems and general ledger
- communicating regularly with the Office of the Controller and receiving advice on difficult accounting matters

We verified the process improvements and found that they resulted in better analyses, improved quality of working papers and prompt preparation of the financial statements. The yearend draft financial statements were prepared within prescribed timelines and had fewer errors compared to prior years. Also there has been an increase in the number of higher quality supporting working papers to support financial statement line items. Based on the process improvements, we concluded the department has put in place a structure to sustain financial reporting.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Sand and gravel: Flat fee security deposit—October 2008, no. 41, p. 362
We recommend that the Department of Environment and Parks assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.

Climate change: Public reporting—October 2012, no. 10, p. 38
(originally October 2008, no. 11, p. 101)
We again recommend that the Ministry of Environment and Parks improve the reliability, comparability and relevance of its public reporting on Alberta's results and costs incurred in meeting climate change targets.

Climate change: Improve planning—July 2014, no. 2, p. 41
(originally October 2008, no. 9, p. 97)
We again recommend that the Department of Environment and Parks improve Alberta's response to climate change by:

- establishing overall criteria for selecting climate change actions
- creating and maintaining a master implementation plan for the actions necessary to meet the emissions intensity target for 2020 and the emissions-reduction target for 2050
- corroborating—through modelling or other analysis—that the actions chosen by the ministry result in Alberta being on track for achieving its targets for 2020 and 2050

Climate change: Improve monitoring processes—July 2014, no. 3, p. 44
(originally October 2008, no. 10, p. 100)
We again recommend that for each major action in the 2008 Climate Change Strategy, the Department of Environment and Parks evaluate the action's effect in achieving Alberta's climate change goals.

Sand and gravel: Enforcement of reclamation obligations—July 2014, no. 4, p. 51 (originally October 2008, no. 40, p. 360)
We again recommend that the Department of Environment and Parks improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.

Flood mitigation systems: Update flood hazard maps and mapping guidelines —March 2015, no. 10, p. 76
We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:

- mapping flood areas that are not currently mapped but are at risk of flooding communities
- updating and maintaining its flood hazard maps
- updating its flood hazard mapping guidelines

Flood mitigation systems: Assess risk to support mitigation policies and spending—March 2015, no. 11, p. 78
We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.

Flood mitigation systems: Assess effects of flood mitigation actions—March 2015, no. 13, p. 82
We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.

Systems to regulate dam safety: Develop plan to regulate dams—March 2015, no. 14, p. 90
We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.

Systems to regulate dam safety: Improve dam regulatory activities—March 2015, no. 15, p. 92
We recommend that the Department of Environment and Parks improve its dam regulatory activities by:

- maintaining a reliable registry of dams
- obtaining sufficient information to assess the risk and consequences of dam failure
- retaining evidence of regulatory activities performed
- following up to ensure that owners correct deficiencies or manage them until they are corrected

Systems to manage grazing leases: Clarify objectives, benefits and relevant performance measures—July 2015, no. 1, p. 20
We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.

Systems to ensure sufficient financial security for land disturbances from mining: Improve program design—July 2015, no. 2, p. 29
We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:

- analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology
- demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation

Systems to manage the SGE Regulation: Clarify SGE Regulation guidance documents—July 2015, no. 4, p. 43 (originally October 2009, no. 4, p. 46, repeated November 2011, no. 1, p. 17)
We recommend for a third time that the Department of Environment and Parks clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow its requirements to achieve the Alberta government's emission reduction targets.

Systems to manage the SGE Regulation: Ensure offset protocols meet new standard and improve transparency—July 2015, no. 5, p. 46 (originally November 2011, no. 2, p 23)
We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.

Managing Alberta's Water Act Partnerships and Regulatory Activities: Monitor wetland restoration—October 2015, no. 6, p. 45 (originally April 2010, no. 6, p. 71)
We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.

Improve capital asset monitoring and recording processes—October 2016, no. 17, p. 104
We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:

- reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other
- completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records
- applying criteria to decide when to write down an asset, and documenting the assessment of such decisions

Climate change: Outsourced service providers—May 2017, no. 5, Page 62 (originally October 2009, p. 49)
We again recommend that the Department of Environment and Parks obtain assurance that data hosted or processed by its provider of registry services is accurate, complete and secure.

Management has identified these recommendations as implemented—to be confirmed with follow-up audits

Sand and gravel: Quantity of aggregate removed—July 2014, no. 5, p. 52 (originally October 2008, p. 364)
We again recommend that the Department of Environment and Parks develop systems to verify quantities of aggregate reported as removed by industry from public lands so that all revenue due to the Crown can be assessed and recorded in the financial statements.

Joint Canada–Alberta Plan for Oil Sands Monitoring: Ensure timely, accurate and transparent public reporting—October 2014, no. 1, p. 26
We recommend that the Department of Environment and Parks work with the Government of Canada to ensure that public reporting on the joint plan is timely, accurate and transparent.

Joint Canada–Alberta Plan for Oil Sands Monitoring: Improve planning and monitoring—October 2014, no. 2, p. 29
We recommend that the Department of Environment and Parks:

- implement effective processes for monitoring project status
- develop and implement work plans, with roles and responsibilities and timelines and deliverables, for implementing all key commitments under the joint plan
- clarify what needs to be done to implement any joint plan projects and commitments remaining after March 2015

Department and Municipal Affairs

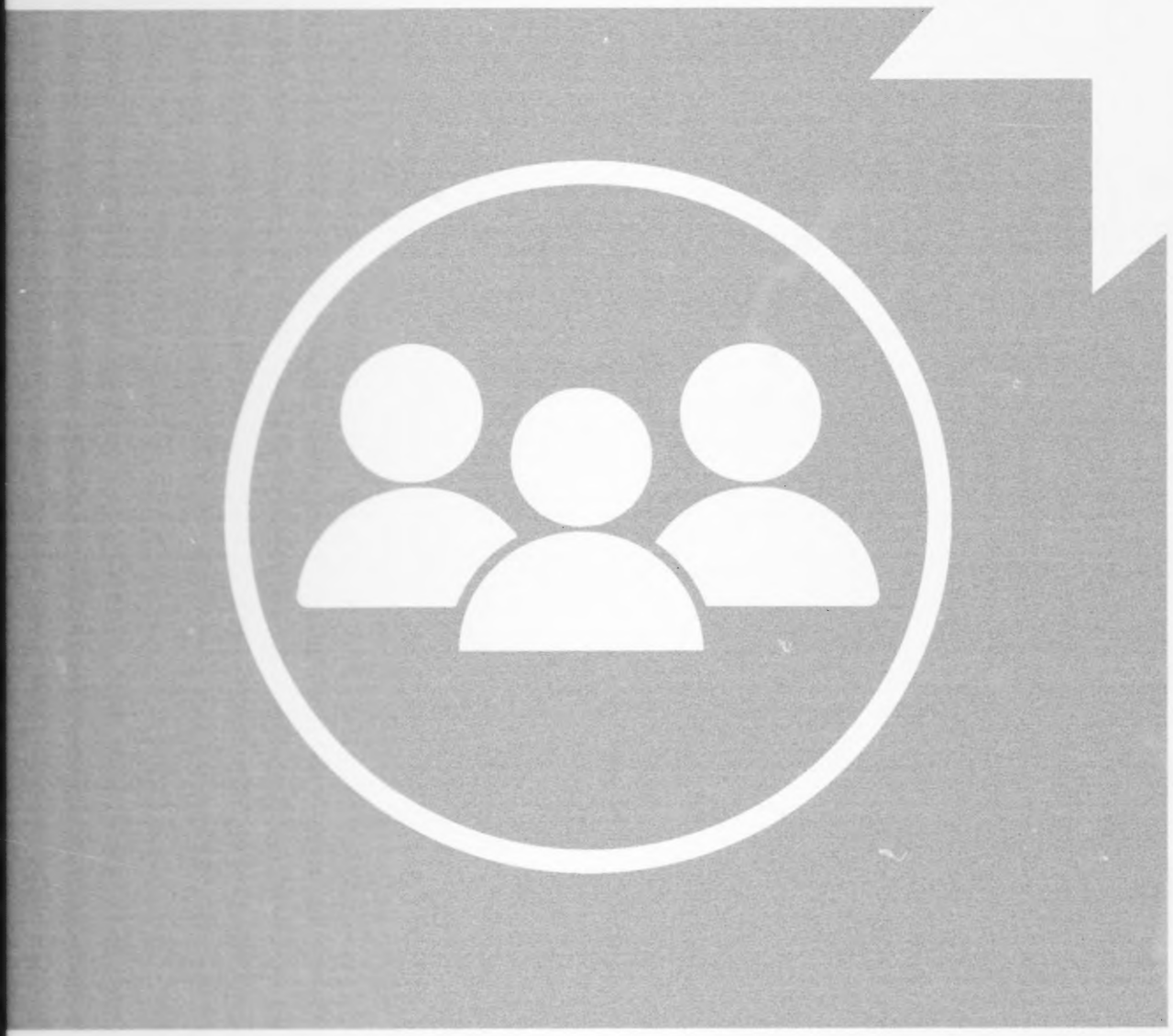
The following recommendation is outstanding and not yet ready for a follow-up audit:

Flood mitigation systems: Designate flood hazard areas and complete floodway development regulation—March 2015, no. 12, p. 80
To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:

- Department of Environment and Parks identify flood hazard areas for designation by the minister
- Department of Municipal Affairs:
  - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
  - put in place processes to enforce the regulatory requirements

Natural Resources Conservation Board

There are no outstanding recommendations to NRCB.



Executive Council

October 2017

Summary

There are no new recommendations to the Executive Council in this report.

Outstanding Recommendations

Department

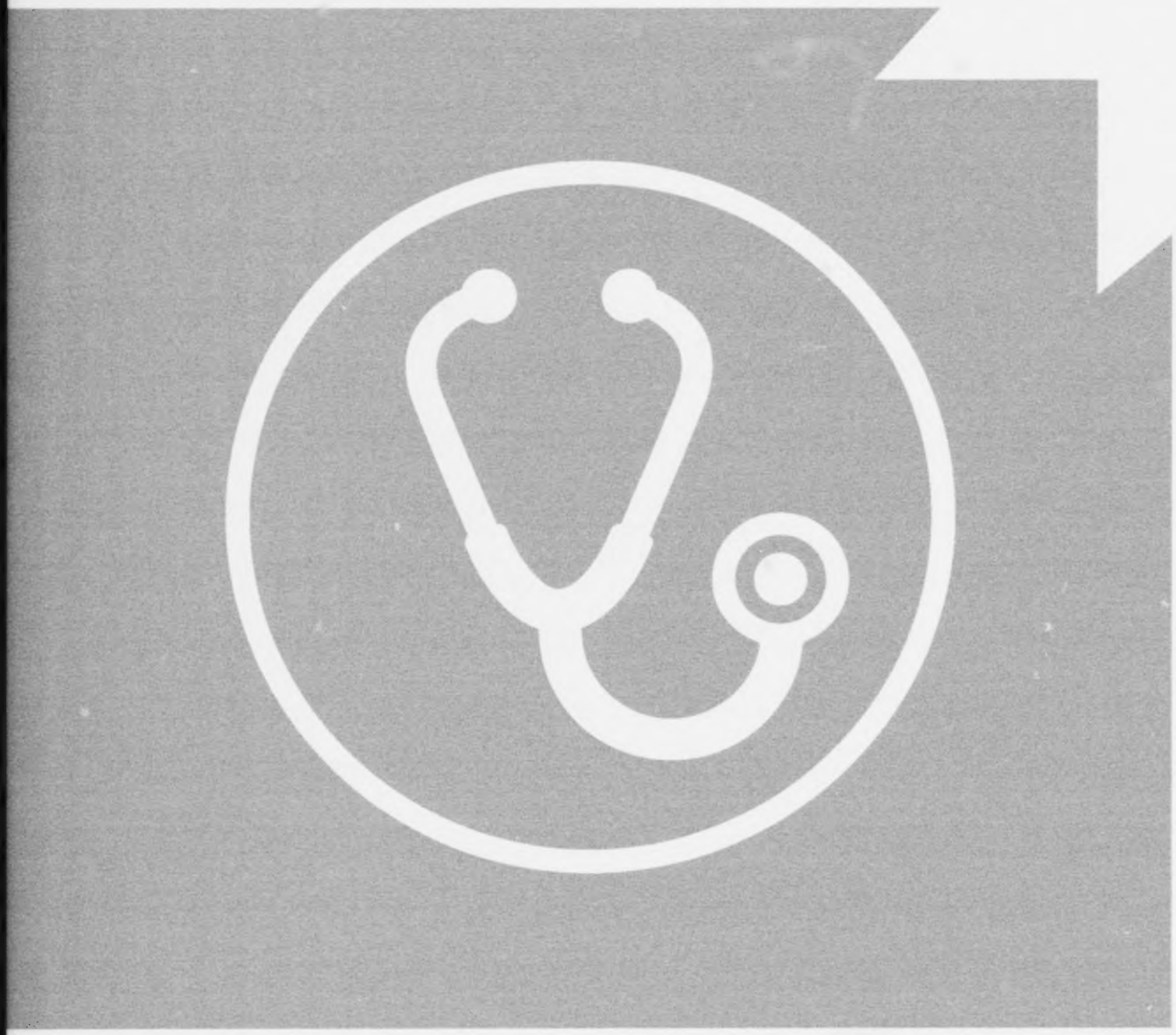
The following recommendations are outstanding and not yet ready for follow-up audits:

Assess risk and improve oversight—October 2012, no. 11, p. 62
We recommend that Executive Council:

- assess the risks to public information assets throughout the government
- determine if the government has adequate IT security policies, standards and controls to mitigate risks
- determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically:
  - who is responsible for monitoring compliance with IT security requirements
  - who is responsible for ensuring or enforcing compliance with security requirements
  - what actions should be taken when non-compliance is identified
  - how is compliance to security requirements demonstrated

Contracting Processes: Improve contracting processes—October 2016, no. 8, p. 55 (originally October 2014, no. 10, p. 62)
We again recommend that the Department of Executive Council improve its contracting processes by documenting:

- the rationale for contracting services and selecting vendors when entering into sole-sourced contracts
- its assessment of whether proposed contract rates are reasonable, and ensuring contracts are authorized and in place before contracted services are received



Health

October 2017

Summary

Department

There are no new recommendations to the Department of Health in this report.

Alberta Health Services

There are no new recommendations to Alberta Health Services in this report.

Matters from prior audits
AHS has implemented the following prior-year recommendations:

- follow-up processes for hiring and terminating executives—see below.
- contract documentation—see below.
- contracting practices: internal controls—see page 80.

Findings and Recommendations

Alberta Health Services

Matters from prior audits

Follow-up processes for hiring and terminating executives—recommendation implemented

Context
In 2014,[1] we recommended that Alberta Health Services follow its human resource processes for hiring and terminating executives.

Our audit findings
AHS implemented the recommendation by establishing a framework outlining the processes for hiring and terminating executives. We reviewed two executive hires and noted that the framework put in place was followed.

Contract documentation—recommendation implemented

Context
In 2008,[2] we recommended that Alberta Health Services—Peace Country Health develop and implement a sole-sourcing policy for contracts and ensure that sole-sourcing is clearly documented and justified. We also recommended that Alberta Health Services—Peace Country Health ensure contract amendments, including changes to deliverables, are documented and agreed to by both parties.

Our audit findings
AHS implemented this recommendation by revising its contracting policies and procedures to be consistent with the requirements under the applicable trade agreements that AHS is required to follow. AHS performs a competitive bid process unless:

1 *Report of the Auditor General of Alberta—October 2014*, page 136.
2 *Report of the Auditor General of Alberta—October 2008*, page 312.

- the contract is below trade agreement thresholds
- the trade agreements contain an approved procurement exception

In some situations, AHS may sole-source a contract—for example, to prevent a disruption in healthcare delivery or when it would not be economically logical or justifiable to conduct a competitive process. In these cases, AHS's policy requires a documented business rationale to support the sole-sourcing.

Our testing of contracts did not identify any significant exceptions.

Contract processes: internal controls— recommendation implemented

Context

In 2006,[3] we recommended that the Alberta Alcohol and Drug Abuse Commission (AADAC) improve its controls over contracting by:

- ensuring adequate segregation of duties exists over the contracting process
- monitoring and verifying contractors' compliance with contract terms and conditions

Effective April 1, 2009, AADAC was dissolved and its responsibilities were transferred to AHS.

Our audit findings

AHS implemented this recommendation by revising its contract policies to clearly segregate duties over the contracting process. Our testing of compliance with the policies and controls over the contracting process did not identify any significant exceptions.

AHS's Contracting, Procurement and Supply Management group uses a risk-based approach to monitor contracts and ensure contract terms and conditions are being met. We reviewed this process and determined it was reasonable.

Outstanding Recommendations

Ministry and Department

The following recommendations are outstanding and not yet ready for follow-up audits.

Electronic health records: User access management—October 2009, p. 80

We recommend that the Department of Health ensure that its user access management policies are followed and that user access to health information is removed when access privileges are no longer required.

3 *Report of the Auditor General of Alberta – November 2006*, page 14.

Chronic disease management: Improve delivery of chronic disease management services—September 2014, no. 1, p. 11

We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:

- defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease
- requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative
- establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds
- facilitating secure sharing of patients' healthcare information among authorized providers
- strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical

Chronic disease management: Improve delivery of pharmacist care plan initiative —September 2014, no. 7, p. 32

We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:

- establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team
- strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross
- setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis

Chronic disease management: Strengthen electronic medical records systems —September 2014, no. 8, p. 37

We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:

- identifying patient-physician relationships and each patient's main health conditions and risk factors
- tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met
- appropriately and securely sharing patient health information between authorized healthcare providers
- reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement

Chronic disease management: Provide individuals access to their personal health information—September 2014, no. 9, p. 41

We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:

- their medical history, such as physician visits, medications and test results
- their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan

Crown's right of recovery of healthcare costs from motor vehicle accidents: Clarify objectives of collecting revenue and prepare supporting rationale—October 2014, no. 3, p. 37
We recommend that the Department of Health:

- publicly articulate its objectives in setting the aggregate assessment
- report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents

We also recommend that the Department of Health obtain additional information to demonstrate that the amount proposed for the aggregate assessment is the appropriate amount that should be charged given the competing objectives.

Crown's right of recovery of healthcare costs from motor vehicle accidents: Calculating the aggregate assessment—October 2014, no. 4, p. 38
We recommend that the Department of Health review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs.

Systems to manage the delivery of mental health services: Use action plan and progress reporting to implement strategy—July 2015, no. 6, p. 63
We recommend that the Department of Health:

- use an action plan to implement the strategy for mental health and addictions
- monitor and regularly report on implementation progress

Health care processes: Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements—October 2015, no. 12, p. 101
We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta healthcare number continue to meet the residency requirements specified in the *Alberta Health Care Insurance Act and Regulation*.

Health care processes: Enhance processes to check for receipt of services for which physicians billed—October 2015, no. 13, p. 102
We recommend that the Department of Health enhance the processes it uses to check whether:

- patients received the medical services for which physicians billed the department
- payments are being made in accordance with the provisions of the *Alberta Health Care Insurance Act*

Primary Care Networks: Evaluate PCN effectiveness—October 2017, Performance Auditing, p. 79
We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to:

- agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets
- develop a formal action plan for public reporting of PCN program performance

Primary Care Networks: Informing Albertans about PCN services—October 2017, Performance Auditing, p. 84

We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to:

- require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process
- agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit.

Seniors care in long-term care facilities: Oversight at the provincial level—October 2014, no. 13, p. 91

We recommend that the Department of Health:

- clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery
- improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them
- finish the review of the continuing care health service standards
- implement a mechanism for timely analysis and action on the accommodation cost data

Health and Alberta Health Services

The following recommendations are outstanding and not yet ready for follow-up audits:

Chronic disease management: Improve support of patient-physician relationships —September 2014, no. 2 & 3, p. 18

We recommend that the Department of Health improve its support of patient-physician relationships by:

- requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so
- determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level

We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.

Chronic disease management: Improve physician care plan initiative —September 2014, no. 5 & 6, p. 26

We recommend that the Department of Health improve its physician care plan initiative by:

- defining its expectations for what care plans should contain and how they should be managed by physicians and care teams
- setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis
- strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable

We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams

Alberta Health Services

The following recommendations are outstanding and not yet ready for follow-up audits:

Chronic disease management: Improve AHS chronic disease management services—September 2014, no. 4, p. 22

We recommend that Alberta Health Services improve its chronic disease management services by:

- assessing the total demand for chronic disease management services across Alberta
- developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated
- setting provincial objectives and standards for its chronic disease management services
- establishing systems to measure and report the effectiveness of its chronic disease management services

Seniors care in long-term care facilities: Monitoring care at the resident level—October 2014, no. 11, p. 84

We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:

- develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation
- develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents

Seniors care in long-term care facilities: Managing performance of long-term care facilities—October 2014, no. 12, p. 88

We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:

- clearly define which program area within AHS is responsible for managing performance of individual facilities
- establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents
- establish a formal mechanism to escalate compliance action for higher risk facilities

Information technology control policies and processes—October 2014, no. 17, p. 137 (originally October 2009, no. 29, p. 262)

We again recommend that Alberta Health Services:

- develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources
- monitor compliance with security policies, implementing effective change management processes and improving passwords controls

Systems to manage the delivery of mental health services: Integrate mental health service delivery and eliminate gaps in service—July 2015, no. 7, p. 67
We recommend that Alberta Health Services for its own community and hospital mental health and addictions services:

- work with physicians and other non-AHS providers to advance integrated care planning and use of interdisciplinary care teams where appropriate for clients with severe and persistent mental illness who need a comprehensive level of care
- improve availability of mental health resources at hospital emergency departments
- improve its system to monitor and ensure community mental health clinics comply with AHS's expectations for treatment planning and case management
- improve its process to identify and evaluate good operational practices used by local mental health and addictions staff, and deploy the best ones across the province

Systems to manage the delivery of mental health services: Improve information management in mental health and addictions—July 2015, no. 8, p. 75
We recommend that Alberta Health Services make the best use of its current mental health and addictions information systems by:

- providing authorized healthcare workers within all AHS sites access to AHS mental health and addictions clinical information systems
- strengthening information management support for its mental health treatment outcomes measurement tools

Systems to manage the delivery of mental health services: Complete assessment and develop waitlist for Albertans who need community housing supports—July 2015, no. 9, p. 79
We recommend that Alberta Health Services in supporting the work of the cross-ministry housing planning team established under the mandate of the Minister of Seniors:

- complete its assessment and report on gaps between supply and demand for specialized community housing support services for mental health and addictions in the province
- develop a waitlist management system to formally assess the housing support needs of AHS's mental health hospital and community patients and coordinate their placement into specialized community spaces funded by AHS

Develop a detailed plan for implementing risk-based disaster recovery processes —October 2015, no. 14, p. 104
We recommend that Alberta Health Services develop and follow a comprehensive plan for implementing risk-based disaster recovery processes, including the necessary IT infrastructure.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits.

Capital project monitoring systems—October 2009, no. 32, p. 271
We recommend that Alberta Health Services improve the efficiency and effectiveness of its financial capital project monitoring and reporting systems and processes by:

- implementing common systems, policies and procedures to track and monitor key financial information
- providing relevant, timely and accurate information to executive management and the audit and finance committee

Fees and charges—October 2012, no. 25, p. 123
We recommend that Alberta Health Services:

- reinforce its admissions policies to ensure consistent application
- review its controls over the processes that generate fees and charges revenue, to ensure they are appropriately designed, consistent across regions and aligned with current policies

Controls over expenses—February 2013, no. 1, p. 24
We recommend that Alberta Health Services tighten its controls over expense claims, purchasing card transactions and other travel expenses by:

- improving the analysis and documentation that support the business reasons for—and the cost effectiveness of—these expenses
- improving education and training of staff on their responsibilities for complying with policies
- monitoring expenses and reporting results to the board

Indigenous Relations

October 2017

Summary

There are no new recommendations to the Department of Indigenous Relations in this report.

The department has implemented our October 2014 recommendation to improve its estimation processes—see below.

Findings and Recommendations

Department

Matters from prior audits

Estimation processes—recommendation implemented

Context

In 2014[1] we recommended that the department improve its financial reporting processes to ensure estimates are reasonable and reliably supported. We repeated this recommendation in 2015 and 2016.[2]

Indigenous Relations' management makes three significant accounting estimates that affect its financial statements. Management bases the accrued liability and the related receivable from the federal government related to the recovery from the 2013 Southern Alberta flooding on First Nations Land on significant estimates. Management also estimates contingent liabilities resulting from legal and land claims against the ministry.

The department makes estimates in its financial statements when there is not a single, definite number that represents what amount management should record on the financial statements. Estimates rely on the professional judgment of those making the estimate.

In developing an estimate, management must supplement its judgment with:

- information from experts or those intimately involved with the activities that underlie the estimate,
- supported assumptions and whether key assumptions are susceptible to change,
- past experience and past assumptions used in making estimates and how current information impacts past experiences and assumptions, and
- rigorous internal analysis of key information and assumptions to ensure they are reliable and their impact on the estimate is understood.

Our audit findings

The Department of Indigenous Relations has implemented our recommendation.

Management made improvements to the way it creates and supports its estimates related to the 2013 Southern Alberta flooding. We observed improvements in how management obtains and analyzes information from other government departments working on the flood recovery effort. We noted that management obtained information regularly throughout the year and used this information to develop, assess and refine its information and key assumptions.

1 *Report of the Auditor General of Alberta—October 2014*, no. 14, page 109.
2 *Report of the Auditor General of Alberta—October 2015*, no. 7, page 69; *Report of the Auditor General of Alberta—October 2016*, no. 18, page 125.

Management made improvements to its primary process to develop its estimate but also developed a supplementary process to assess the reasonability of its estimates. This process involved using information such as contracts, engineering work and key assumptions developed throughout the year to determine a supportable accounting estimate. Management then compared its two estimates, and their underlying support to arrive at a final, supportable number.

In assessing its estimates for contingent liabilities, management works closely with legal experts from the Department of Justice and Solicitor General. Management obtains legal information throughout the year and works closely with its internal staff familiar with the each claim to ensure the assessments of the legal experts were consistent with internal understanding. We observed that management documented this internal assessment, including the key assumptions it made, and used this information to ensure its estimates for legal and land claims was accurate and appropriately disclosed in the financial statements.

Outstanding Recommendations

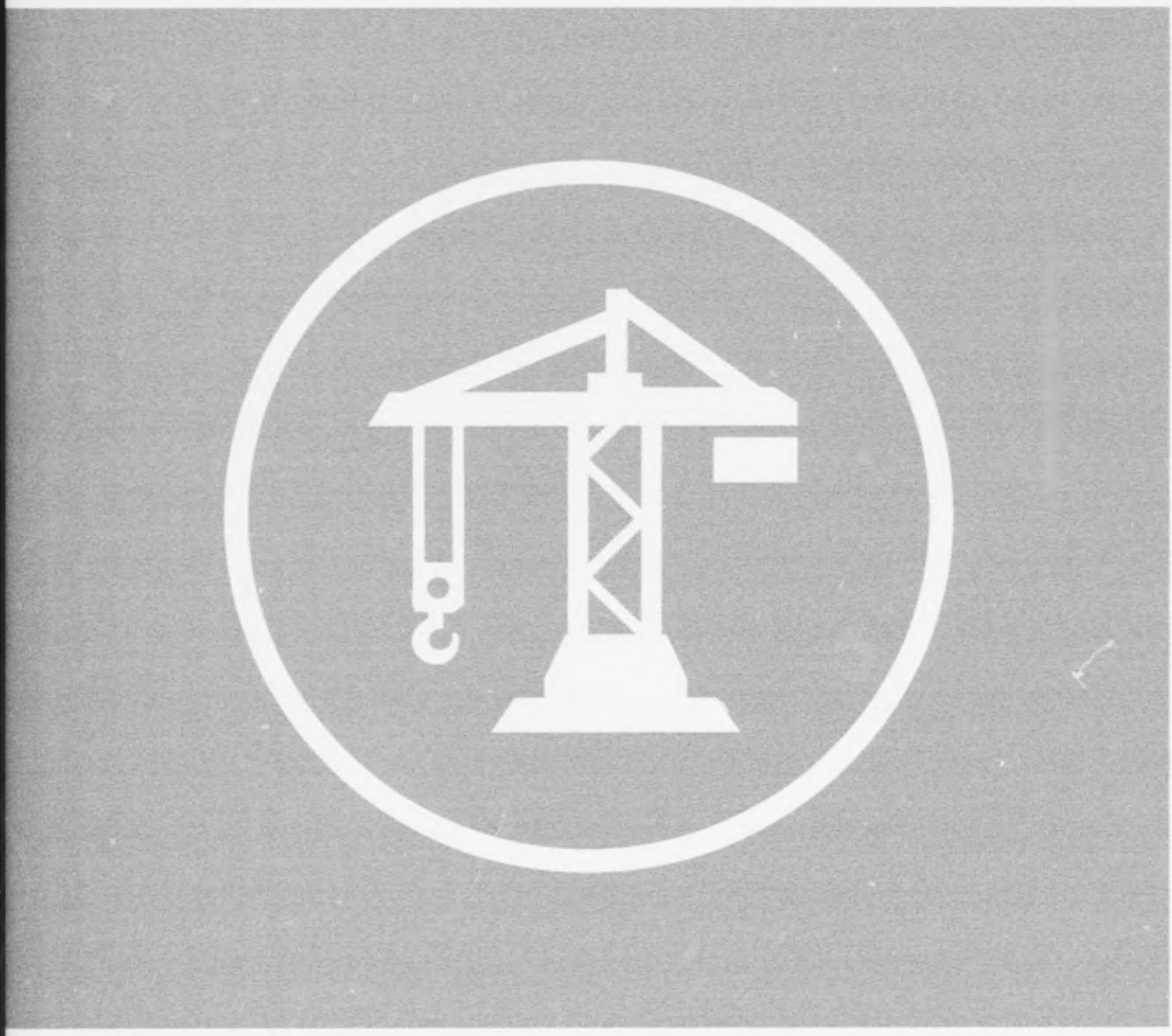
Department

The following recommendations are outstanding and not yet ready for follow-up audits:

First Nations Development Fund Grants: Improve review process—repeated May 2017, no. 6, p. 66 (originally July 2013, no. 2, p. 24)
We again recommend that the Department of Indigenous Relations improve its processes to review and approve grant applications by:

- formalizing the additional review processes it developed for complex grant applications
- consistently obtaining sufficient information to support its assessment of complex grant applications

First Nations Development Fund Grants: Monitor for and correct non-compliance—repeated May 2017, no. 7, p. 69 (originally July 2013, no. 3, p. 26)
We again recommend that the Department of Indigenous Relations improve its monitoring processes by consistently ensuring First Nations comply with reporting requirements and acting to correct non-compliance with a grant agreement.



Infrastructure

October 2017

Summary

There are three new recommendations to the Department of Infrastructure in this report—see Performance Auditing, page 11

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 5, p. 16
We recommend that the Department of Infrastructure improve its systems for publicly reporting on the status of school capital projects.

Government of Alberta Capital Planning: Improve capital planning standards and phased approach to capital planning and approval—October 2017, Performance Auditing, p. 20
We recommend that the Department of Infrastructure improve its capital planning system by:

- updating its capital planning standards
- clarifying the capital planning phases and the planning deliverables required for each phase
- verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees

Government of Alberta Capital Planning: Improve maintenance planning systems —October 2017, Performance Auditing, p. 23
We recommend that the Department of Infrastructure:

- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding

Government of Alberta Capital Planning: Evaluate capital maintenance programs for buildings—October 2017, Performance Auditing, p. 26
We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.

Infrastructure and Education

The following recommendations are outstanding and not yet ready for follow-up audits:

Education & Infrastructure: School-building Program—Improve systems to manage and control projects—April 2016, no. 4, p. 14

We recommend that the departments of Education and Infrastructure improve the planning process by:

- identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors
- basing oversight of projects managed by school jurisdictions on risk

Education & Infrastructure: School-building Program—Improve reporting systems and controls—April 2016, no. 7, p. 16

We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:

- defining reporting requirements, including measures to assess project performance
- using a common reporting system that specifies where information will be retained, who will update it and how it will be updated

Justice and Solicitor General

October 2017

Summary

There are no new recommendations to the Department of Justice and Solicitor General in this report.

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Victims of Crime Fund: Systems to manage sustainability and assess results—Develop and publicly report on a plan for the Victims of Crime Fund program—February 2016, no. 5, p. 46

We recommend that the Department of Justice and Solicitor General:

- develop and approve a business plan with measurable desired results for the Victims of Crime Fund
- publicly report on the results of this business plan

Victims of Crime Fund: Systems to manage sustainability and assess results—Determine best use of Victims of Crime Fund accumulated surplus—February 2016, no. 6, p. 49

We recommend that the Department of Justice and Solicitor General, supported by sufficient analysis, determine an appropriate use of the Victims of Crime Fund accumulated surplus.

Funding Sustainable and Cost-Effective Legal Aid Services: Determine the type and scope of services a public legal aid system can sustain—May 2017, no. 1, p. 39

We recommend that the Department of Justice and Solicitor General determine, through analysis, the type and scope of services Alberta's publicly funded legal aid system can provide and sustain.

Funding Sustainable and Cost-Effective Legal Aid Services: Ensure the performance measures in place for legal aid services—May 2017, no. 2, p. 42

We recommend that the Department of Justice and Solicitor General ensure there are processes in place to measure, monitor and report on the quality, efficiency and cost-effectiveness of publicly funded legal aid services.

Management has identified these recommendations as implemented —to be confirmed with follow-up audits:

Office of the Chief Medical Examiner: Contracting transporters of deceased rural Albertans—Develop guidelines for contract requests—July 2016, no. 1, p. 22

We recommend that the Department of Justice and Solicitor General develop guidelines that clearly identify:

- when a program area must provide a business case to support a contract request and what information must be included
- who can make a decision not to require a business case and in what circumstances, and what must be documented to support this decision

Office of the Chief Medical Examiner: Contracting transporters of deceased rural Albertans—Determine when contracted vendors will be used—July 2016, no. 2, p. 25
We recommend that the Department of Justice and Solicitor General determine and include as part of its pre-qualification contract posting process:

- a date after which only vetted and contracted vendors are eligible to provide services in the normal course of business
- circumstances in which it may need to use non-contracted vendors

Ministry and Office of The Public Guardian and Trustee

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve results analysis processes and reporting—February 2016, no. 4, p. 40
We recommend that the Public Trustee and Ministry of Justice and Solicitor General improve the performance reporting for the operations of the Public Trustee.

Office Of The Public Guardian And Trustee

The following recommendations are outstanding and not yet ready for follow-up audits:

Supervisory review of client files—February 2013, no. 2, p. 42
We recommend that the Office of the Public Guardian and Trustee improve its file management processes to ensure all client files are subject to adequate supervisory review.

Internal audit role—February 2013, no. 3, p. 42
We recommend that the Office of the Public Guardian and Trustee strengthen the role of its internal audit, ensuring it has adequate authority and independence to effectively perform its function.

Improve and follow policies—February 2013, no. 4, p. 45
We recommend that the Office of the Public Guardian and Trustee:

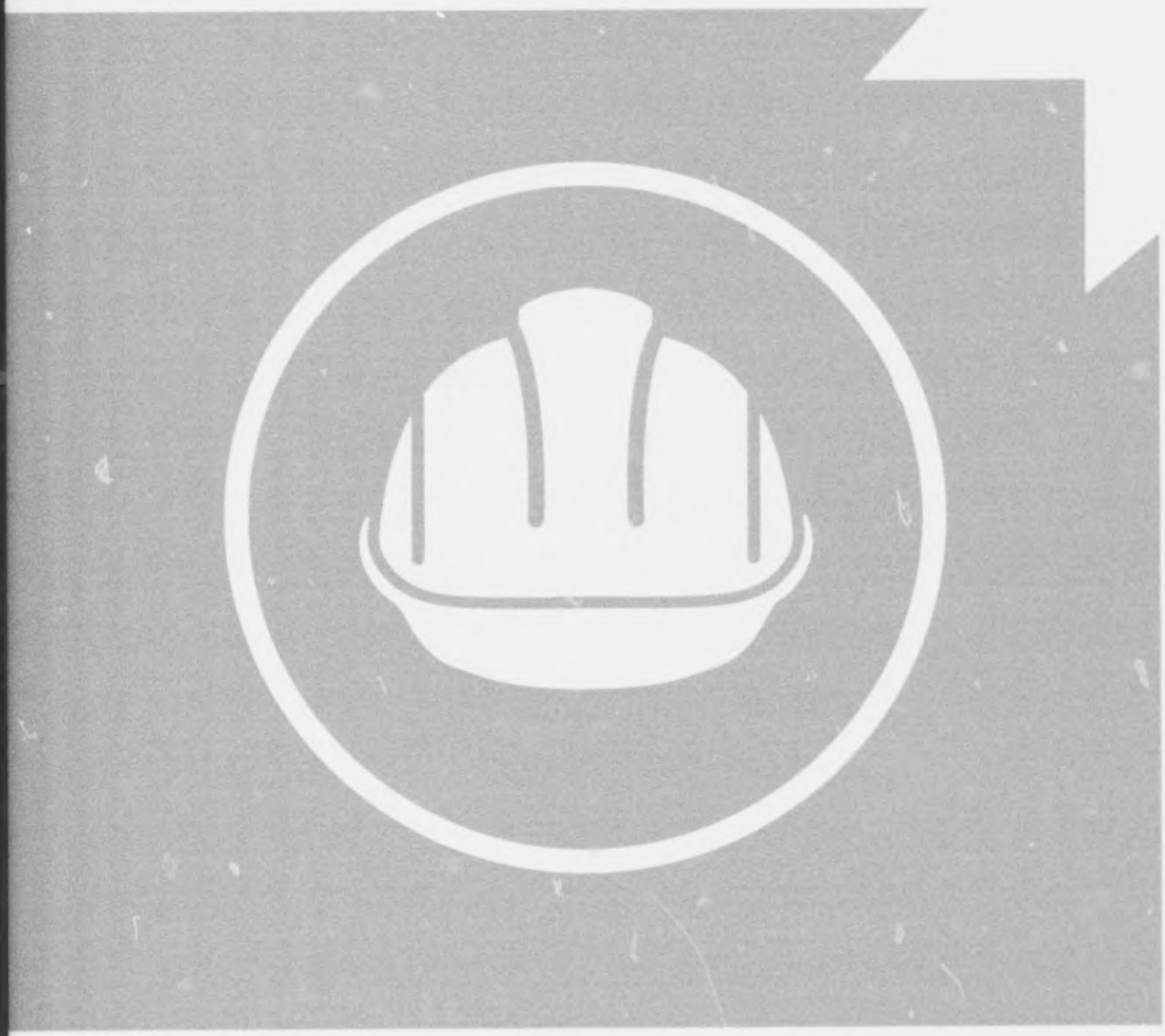
- review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be misappropriated or otherwise mismanaged
- improve its processes for ensuring compliance with policies and procedures

Documentation—February 2013, no. 6, p. 48
We recommend that the Office of the Public Guardian and Trustee improve its processes for ensuring client files are appropriately documented, including adequate documentation of supervisory review and internal audit.

Determine and manage surplus—February 2016, no. 3, p. 36
We recommend that the Public Trustee develop processes to effectively manage the growth and use of the accumulated surplus in the Common Fund.

Management has identified this recommendation as implemented —to be confirmed with a follow-up audit:

Segregation of duties—February 2013, no. 5, p. 47
We recommend that the Office of the Public Guardian and Trustee strengthen its processes for the approval and payment of client expenses or disbursements.



Labour

October 2017

Summary

Department

There are no new recommendations to the Department of Labour in this report.

Workers' Compensation Board—Alberta

There are no new recommendations to the Workers' Compensation Board—Alberta in this report.

Outstanding Recommendations

Department

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit

Occupational health and safety: Work Safe Alberta planning and reporting—July 2016, no. 3, p. 41 (originally April 2010, p. 43)

We again recommend that the Department of Labour improve its planning and reporting systems for occupational health and safety by evaluating and reporting on whether key OHS programs and initiatives achieve desired results.

Occupational health and safety: Promoting and enforcing compliance—July 2016, no. 4, p. 43 (originally April 2010, no. 3, p. 39, repeated July 2012, no. 12, p. 83)

We again recommend that the Department of Labour clarify and enforce its procedures to approve giving employers extra time to fix worksite health and safety problems.

Legislative Assembly Offices

October 2017

Summary

There are no new or outstanding recommendations to the Legislative Assembly Office or Officers of the Legislative Assembly in this report.

Municipal Affairs

October 2017

Summary

Department

There are no new recommendations to the Department of Municipal Affairs in this report.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve systems for updating the estimated disaster recovery program liability —October 2015, no. 16, page 144

We recommended that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability.

Disaster recovery program transition: Implement a transition plan —February 2016, no. 7, page 62

We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame

Department and Environment and Parks

The following recommendation is outstanding and not yet ready for a follow-up audit:

Flood mitigation systems: Designate flood hazard area and complete floodway development regulation—March 2015, no. 12, page 80

To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:

- the Department of Environment and Parks identify flood hazard areas for designation by the minister
- the Department of Municipal Affairs:
  - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
  - put in place processes to enforce the regulatory requirements

Seniors and Housing

October 2017

Summary

Department

There are no new recommendations to the Department of Seniors and Housing in this report.

Alberta Social Housing Corporation

There is one new recommendation to the Alberta Social Housing Corporation in this report—see below.

Findings and Recommendations

Alberta Social Housing Corporation

Change management process

Context

Information systems change management is an essential component of IT operations. Alberta Social Housing Corporation uses information systems to process critical data such as financial information, clients, property and assets. The corporation relies on the integrity of these systems to achieve business goals and objectives.

Good change management procedures provide management with the assurance that only approved and tested changes to business systems are implemented in the computing environment.

Our audit findings

Key findings

- We found that documentation for changes to the Corporation's financial information system were inconsistent:
  - information, such as approval or resolution details, was missing from a sample of change documentation reviewed
- The documented change process does not:
  - define changes to the IT environment and how they should be classified
  - have enough detail to clearly describe the change process for all changes to the IT environment

RECOMMENDATION: Improve change management control procedures

We recommend that the Alberta Social Housing Corporation improve and implement change management control procedures to ensure changes to the information systems within its computing environment are implemented in a controlled and consistent manner.

Consequences of not taking action
Without proper change management control procedures, ASHC risks introducing untested and unauthorized changes into its computing environment. Uncontrolled changes could cause systems not to operate as they should and result in ASHC's financial and housing management information becoming inaccurate or incomplete.

Outstanding Recommendations

Department

The following recommendation is outstanding and not yet ready for a follow-up audit:

Seniors care: Effectiveness of the Seniors Lodge Program and determine future needs—October 2014, no. 20, p. 183 (originally October 2005, no. 12, p. 66)
We again recommend that the Department of Seniors and Housing:

- improve the measures it uses to assess the effectiveness of the Seniors Lodge Program and obtain-sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges
- improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program

Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

Systems to deliver affordable housing grants: Improve monitoring processes—July 2013, no. 12, p. 90
We recommend that the Department of Seniors and Housing improve its monitoring processes to ensure affordable housing grant recipients comply with their grant agreements by:

- developing and conducting risk-based monitoring activities
- following procedures and processes when performing monitoring activities

Systems to deliver affordable housing grants: Develop an evaluation system—July 2013, no. 13, p. 92
We recommend that the Department of Seniors and Housing improve its evaluation processes by:

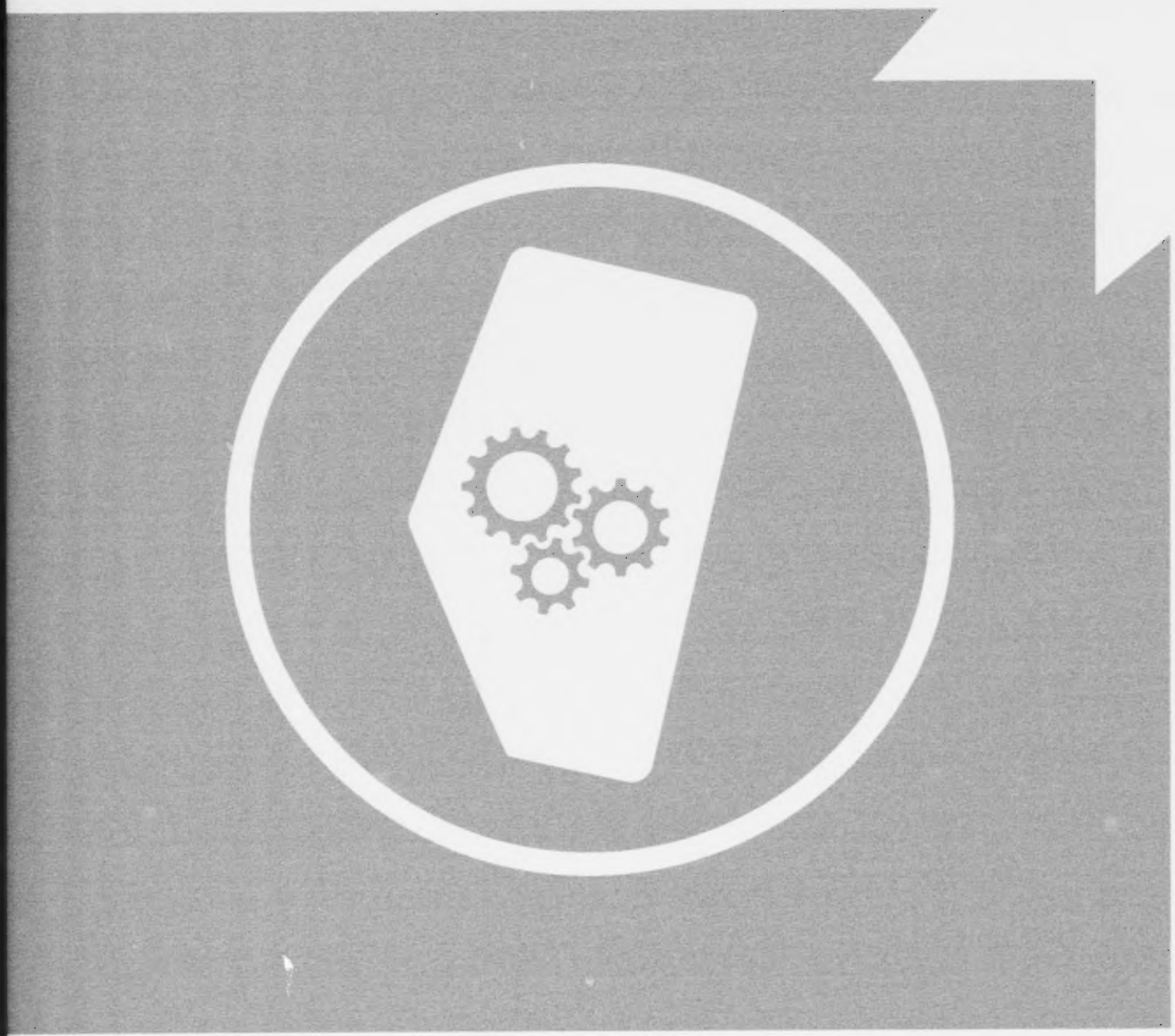
- developing performance measures and adequate information systems so that the department can better evaluate and report on its affordable housing grant programs
- completing periodic evaluations of its affordable housing grants programs

Alberta Social Housing Corporation

The following recommendations are outstanding and not yet ready for follow-up audits.

Review housing management body cash reserve policy—October 2013, no. 11, p. 145
We recommend that the Alberta Social Housing Corporation review the housing management body cash reserve policy to determine if the policy continues to meet its objective of providing appropriate shortterm operational cash flow requirements to the housing management bodies.

Improve change management control procedures—October 2017, Financial Statement Auditing, Financial Statement Auditing, p. 113
We recommend that Alberta Social Housing Corporation improve and implement change management control procedures to ensure changes to the information systems within its computing environment are implemented in a controlled and consistent manner.



Service Alberta

October 2017

Summary

Department

There are no new recommendations to the Department of Service Alberta in this report.

Outstanding Recommendations

Department

The following recommendations are outstanding and not yet ready for follow-up audits:

IT disaster recovery program: Improve recovery of critical information technology applications—October 2014, no. 5, p. 45

We recommend that the Department of Service Alberta, with support from the Deputy Ministers' Council:

- identify the most critical IT applications throughout all government entities
- identify the times, after a disaster, that critical IT applications must be recovered
- ensure that there are tested plans and adequate resources to recover critical IT applications within those times

Systems to manage a comprehensive inventory of information technology applications—May 2017, no. 3, p. 51

We recommend that Service Alberta complete its plans to implement a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory. If required, Service Alberta should seek the necessary authority to complete the project.

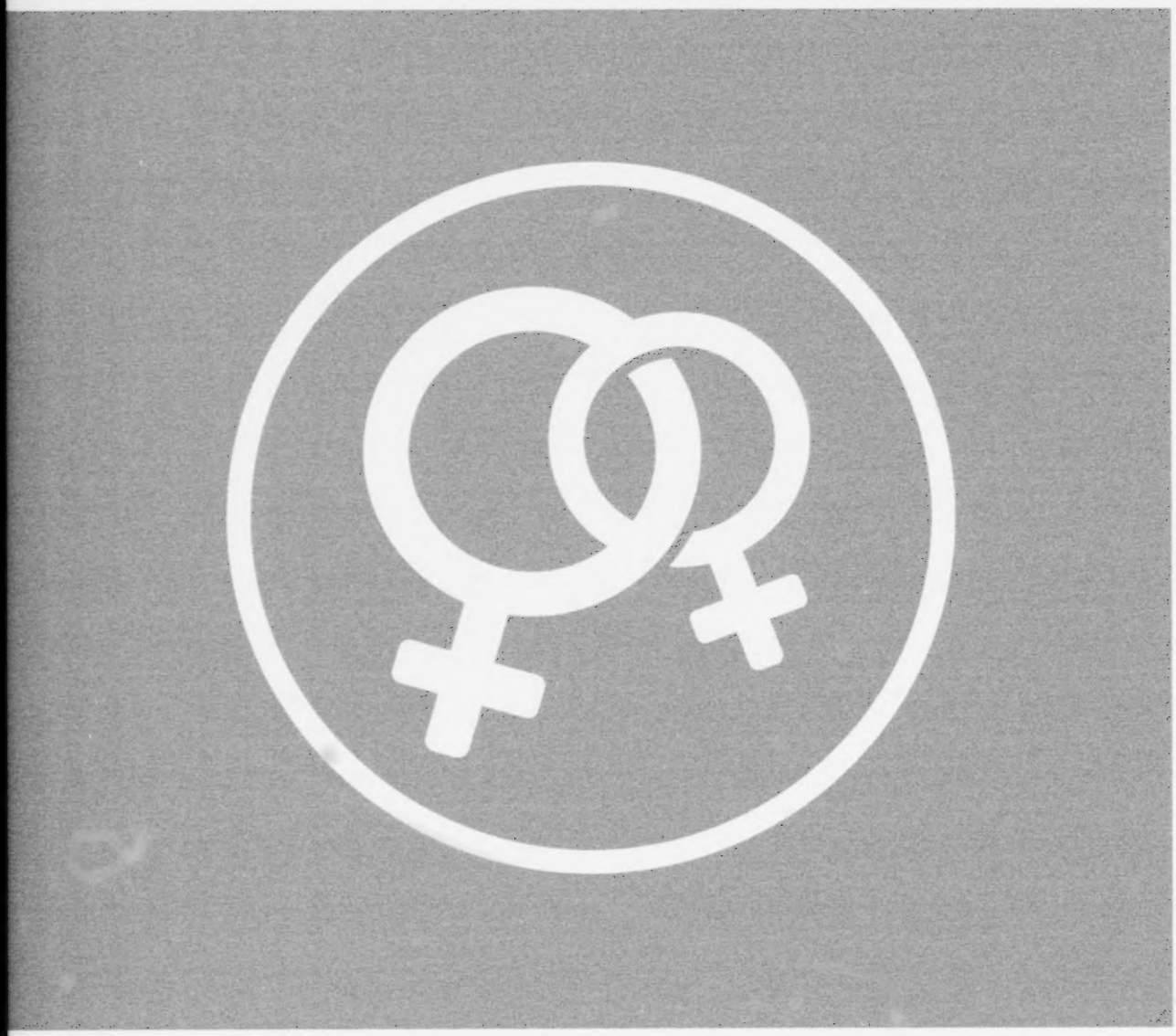
Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

Access and security monitoring of the revenue application systems—October 2008, p. 346

We recommend that the Department of Service Alberta ensure adequate logging and monitoring processes are in place in all application systems that host or support financial information and Albertans' personal information.

System conversion process—October 2008, p. 349

We recommend that the Department of Service Alberta document its review of actual system conversion activities to ensure that they comply with the approved test plan for system conversion and data migration.



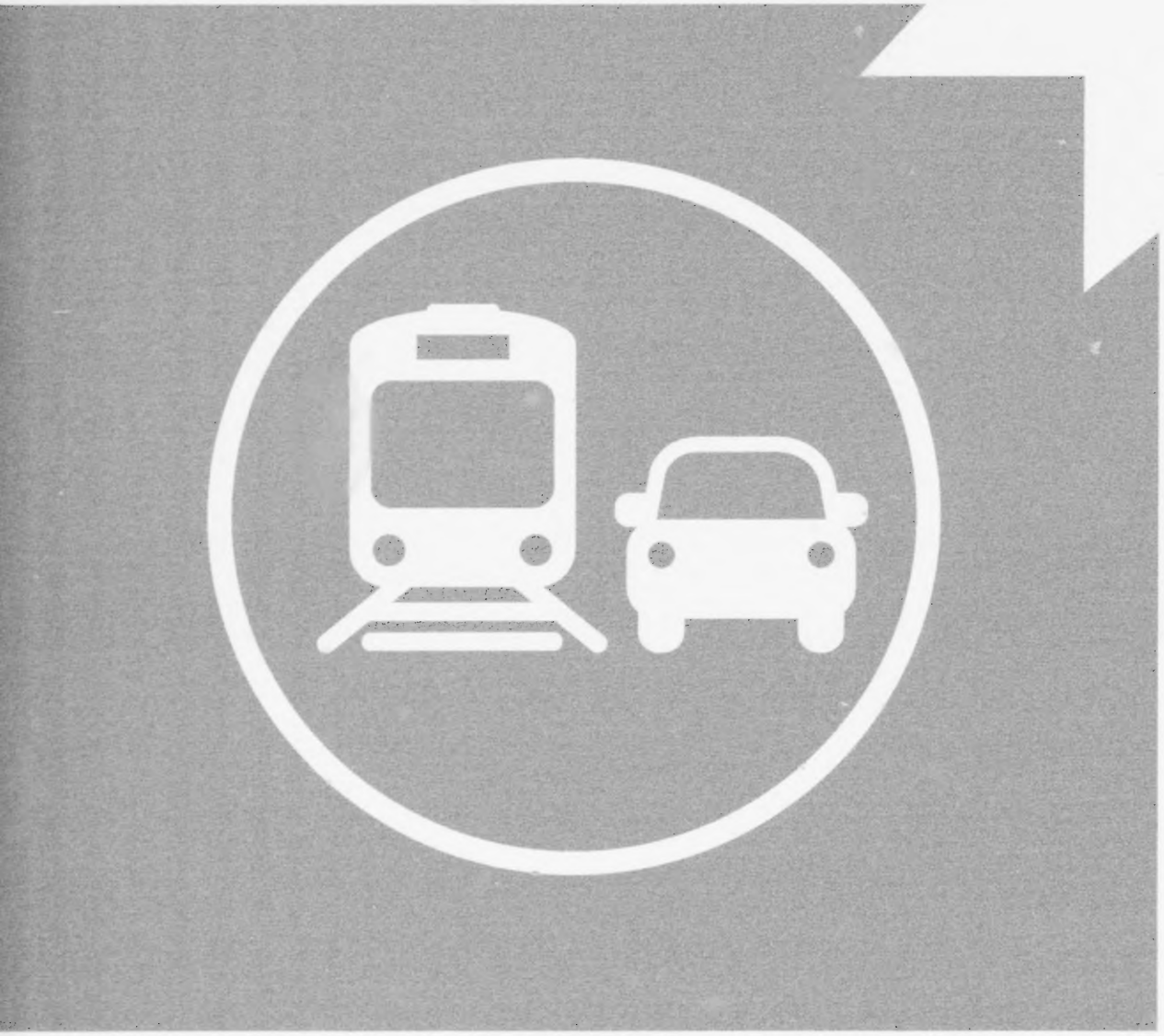
Status of Women

October 2017

Summary

Department

There are no new or outstanding recommendations to the Department of Status of Women in this report.



Transportation

October 2017

Summary

Department

There are no new recommendations to the Department of Transportation or the Alberta Transportation Safety Board in this report.

Outstanding Recommendations

Department

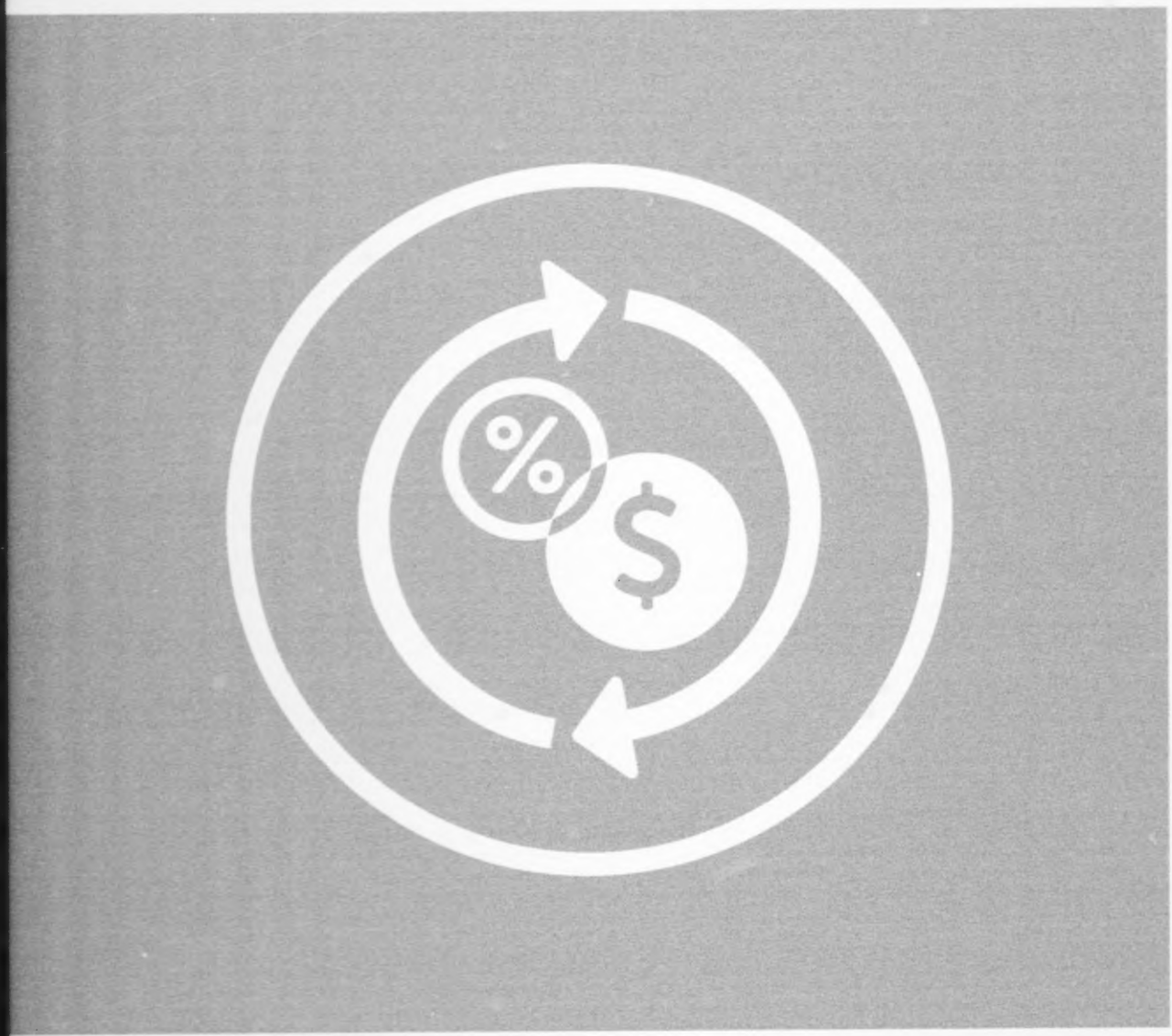
Management has identified the following recommendation as implemented—to be confirmed with a follow-up audit:

Commercial vehicle safety: Progressive sanctions—July 2014, no. 7, p. 70 (originally October 2009, no. 14, p. 127)

We again recommend that the Department of Transportation enforce compliance by carriers who persistently fail to comply with rules and regulations.

Alberta Transportation Safety Board

There are no outstanding recommendations to TSB.



Treasury Board and Finance

October 2017

Summary

Department

We recommend the department consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request—see below.

We repeat our 2014 recommendation for the department to update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks—see page 134.

The department has implemented our 2014 recommendations to:

- improve access controls to the information systems for tax and revenue administration—see page 135.
- appropriately approve tax refunds in accordance with legislation—see page 136.

We followed up on our 2008 and 2009 audits of CEO Selection, Evaluation and Compensation, and Executive Compensation. We are withdrawing our recommendations—see Performance Auditing page 97.

Alberta Gaming and Liquor Commission

There are no new recommendations to the Alberta Gaming and Liquor Commission in this report. The Commission has implemented our recommendation to improve its systems to manage access by external vendors to its IT systems—see Performance Audit Report, page 29.

Alberta Investment Management Corporation

There are no new recommendations to the Alberta Investment Management Corporation in this report.

ATB Financial

There are no new recommendations to ATB Financial in this report.

ATB Financial has implemented our 2013 recommendations to fix the borrower risk ratings in the banking system—see page 136.

Findings and Recommendations

DEPARTMENT

Matters from current audit

Payments Based on Agreement

Context

Members of the Legislative Assembly vote annually on the government's budget to spend in the fiscal year (the supply vote). If a government is inconsistent in its treatment of expenditures subject to a supply vote, it may deny Members of the Legislative Assembly the opportunity to challenge the government on how it's managing the economic resources entrusted to it.

Department financial reporting includes a schedule comparing the department's actual expenditures for a year to its voted budget expenditures. If a department expends beyond its approved budget, the department must fund the overspent amount (an encumbrance) by reducing its planned spending in the following year. Alternatively, the department could request Members of the Legislative Assembly to vote a supplementary estimate, providing funding for the additional spend.

Payments based on agreement are external funding agreements which are subject to a specific section of the *Financial Administration Act*[1] which exempts the funding from inclusion in a department's financial reporting and budget. Given the exemption, it is critical that the Department of Treasury Board and Finance (TBF) has accounting and budgeting policies and procedures on what qualifies as a payment based on agreement. Clear policies and procedures serve as a control to prevent departments from avoiding transparency and accountability in reporting their spending, relative to an approved budget. Within TBF, the Provincial Controller develops accounting policies while the Budget Development and Reporting (BDR) division develops budgeting policies and procedures.

The *Financial Administration Act* does not specify in detail the characteristics of a payment based on agreement, however both the TBF accounting and budget policies are consistent in requiring a payment based on agreement to have characteristics including:

- the funding must cover 100 per cent of the related cost of the product or service funded
- the department has no obligations related to the funding, other than to act as a conduit to pass the funding along to an ultimate recipient
- the funding isn't for any new or existing government programs

BDR reviews department requests to treat a funding agreement as a payment based on agreement and recommends to the Treasury Board Committee[2] to approve the treatment for budget purposes. BDR requires department requests be approved prior to the department signing a funding agreement in order to avoid a situation where the committee feels compelled to approve. If approved, the planned funding spend is not included in the department's annual budget supply vote.

For financial reporting purposes, an approved payment based on agreement would only require brief note disclosure of the funding agreement. The department would not record any revenue or spending of the funding in the financial statements.

In fiscal year 2017, nine departments disclosed having a payment based on agreement, with a total gross value of $306 million.[3] Of this amount, $304 million relates to cost reimbursements to the Government of Alberta from other governments for costs incurred on their behalf. Cost reimbursements include the Department of Health for providing health services to non-Alberta residents and the Department of Agriculture and Forestry, for the delivery of fire emergency services.

Criteria: the standards of performance and control

TBF must apply its policies and procedures when recommending to Treasury Board Committee to approve a request to treat a funding agreement as a payment based on agreement.

1 Section 25 of the *Financial Administration Act*.

2 The Treasury Board Committee is a government committee usually cabinet chaired by the President of Treasury Board. The committee's role is to review and make recommendations to Cabinet on estimates as part of the budget process.

3 Advanced Education - $123,000, Agriculture and Forestry - $3.4 million, Education - $167,000, Executive Council - $1 million, Health - $299 million, Justice and Solicitor General - $600,000, Municipal Affairs - $950,000, Service Alberta - $249,000, Transportation - $532,000.

Our audit findings

Key Finding:

Neither the Provincial Controller nor the Budget Development and Reporting division applied their policies when Treasury Board Committee approved a federal funding agreement as a payment based on agreement. Treatment as a payment based on agreement denied Members of the Legislative Assembly the opportunity to vote on accepting the required $227 million capital spend and consider the related financial implications on current and future government operations.

During our financial statement audit of the Department of Advanced Education, we examined a $227 million federal grant agreement to Advanced Education to provide funding to complete certain Alberta post-secondary school capital projects by March 31, 2018. The funding, if accepted, could only be used for the capital projects. Future costs to operate the new capital projects would be a provincial responsibility. The federal government will provide the funding over three fiscal years, beginning with $84 million in fiscal 2017. Advanced Education's approved supply vote budget for the year did not include the receipt or expenditure of this funding. In November 2016, Treasury Board Committee approved Advanced Education's request to treat the funding agreement signed in August 2016, as a payment based on agreement.

We concluded the grant funding agreement did not meet all the requirements of the TBF accounting or budgeting policies as a payment based on agreement because:

- The funding agreement only covered 50 per cent of the project costs.
- Advanced Education was responsible for monitoring completion of the projects and periodically reporting back to the federal government.
- Advanced Education will spend at least $31 million on project costs.
- Advanced Education is liable to repay the federal government if any of the post-secondary institutions breach their responsibilities under the agreement.
- Treasury Board Committee approval as a payment based on agreement occurred three months after Advanced Education signed the funding agreement.

We observed another department receiving a similar federal capital grant with the same funding characteristics and requirements. That department did not classify the funding as a payment based on agreement, consistent with the TBF accounting and budgeting policies. That department included the revenue and expense in its financial statements and obtained a supplementary estimate from Members of the Legislative Assembly.

As a result of our examination, management of Advanced Education adjusted its accounting to record the $84 million received and spent in its financial statements as a revenue and expense and not as a payment based on agreement. Advanced Education, however, continued to treat the funding in its schedule of actual to voted budgeted spending as a payment based on agreement. Advanced Education felt it was not appropriate to show an $84 million overspend on its voted budget because of the Treasury Board Committee approval. Advanced Education's financial reporting at a ministry level and the Government of Alberta consolidated financial statements were not impacted.

The Provincial Controller concluded it was legally acceptable to continue to classify the funding as a payment based on agreement for budget purposes. The controller made this conclusion despite the inconsistency with the TBF budget policy and Advanced Education's adjusted treatment for accounting purposes. Advanced Education has not

included any explanation for the variance between the budgeted and actual spend in its 2017 financial reporting, 2016-2017 annual report or 2017-2018 supply vote request.

It is important to note we observed no evidence that the request by Advanced Education or Treasury Board and Finance's application of its accounting and budget policies were to intentionally manipulate department financial reporting and avoid the budgeting process. Management of Advanced Education believed it had a payment based on agreement. Advanced Education management however did not complete an analysis applying the TBF accounting and budget policies until April 2017.

Despite any misinterpretation or misapplication of the TBF accounting and budget policies by Advanced Education, BDR failed to apply its policy when recommending Treasury Board Committee approve Advanced Education's request. BDR did not require Advanced Education to complete an analysis applying the budget policy criteria before BDR recommended approval to the Treasury Board Committee. The office of the controller failed to ensure Advanced Education's treatment of the funding for accounting and budget purposes was consistent and agreed with the required criteria in the TBF accounting policy. As a result, it is not clear to users of Advanced Education's financial reporting and budget information if the $84 million expenditure is a payment based on agreement or if future funding from the agreement should be included in Advanced Education's 2017–2018 supply vote.

RECOMMENDATION: Apply policies when recommending approval to Treasury Board Committee

We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.

Consequences of not taking action

Inconsistent application of accounting and budgeting policies and procedures weaken government transparency and accountability. Users of financial and budget information will be less able to compare results, measure performance and understand if government entities are operating effectively. Budgeting processes will be less effective or bypassed and operating decisions become short-term focused rather than demonstrate the execution of long-term planning and budgeting.

Matters from prior audits

Enterprise risk management systems—recommendation repeated

Context

In 2014,[4] we concluded that the Department of Treasury Board and Finance had not updated and followed a formal enterprise risk management system since 2011. We recommended that the department update and improve its enterprise risk management systems.

We acknowledge that the department approved its risk management framework. However, we repeat this recommendation because the department still does not have effective risk management systems three years after we made the recommendation.

4 *Report of the Auditor General of Alberta, October 2014*, no. 22, page 194.

Criteria: the standards of performance and control

The department should have effective risk management systems.

Our audit findings

Key Finding:

The department does not have an effective risk management system to:

- identify, assess and evaluate strategic risks
- implement mitigation strategies
- monitor, review and report on the risks

This year, the department approved an updated risk management framework. The framework sets out who governs and oversees the department's risk management systems, the policy and principles for risk management, and performance measures to evaluate the effectiveness of the risk management systems. The department identified four key risks that it disclosed in its 2017–2019 business plan.

Management told us that they manage risks through various informal processes. The department has not yet implemented and followed formal processes as defined in its framework. These processes include formally identifying, assessing and ranking risks, developing and implementing risk mitigation procedures, regular monitoring and evaluating programs and procedures to mitigate risks, and incorporating the processes into its business and operational planning processes.

RECOMMENDATION: Update and follow enterprise risk management system—recommendation repeated

We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Consequences of not taking action

Without an effective enterprise risk management system, the department may not identify and manage its risks efficiently and effectively.

User access controls over tax and revenue administration systems—recommendation implemented

Context

In 2014[5] we recommended that the department's tax and revenue administration division improve the security of its tax and revenue information systems. The division did not document the security design, including segregation of duties for the tax and revenue information system. In addition, management could not demonstrate that access to the system was assigned appropriately.

Our audit findings

The department implemented our recommendation. We conclude, based on our assessment and testing, that management's systems to review, approve and maintain appropriate access to the tax and revenue information systems are adequately designed, implemented and operating effectively.

5 *Report of the Auditor General of Alberta – October 2014*, no. 23, page 195.

Management completed a comprehensive redesign of security access to the system. This included limiting user access in the system to those functions that employees need in order to perform their specific roles, and enforcing appropriate segregation of duties so that no employee can perform multiple and critical tasks without review from another employee. The department also implemented processes to review, approve and implement changes to the security design and to periodically review whether employees' access to the system remains appropriate.

Corporate tax refunds—**recommendation implemented**

Context

In 2014[6] we recommended that the department's tax and revenue administration division approve corporate tax refund payments before they are made, in order to comply with the *Financial Administration Act*. The department pays refunds to corporations after it issues the notice of assessment or notice of reassessment. Management stated that the refunds are paid promptly to avoid or minimize any interest due on refunds. However, the required reviews and approvals occurred only after the refunds were paid.

Our audit findings

The department implemented our recommendation. Management designed and implemented systems of internal controls to approve tax refunds before they are made.

ATB Financial

New banking system—borrower risk ratings—**recommendation implemented**

Context

The borrower risk rating (BRR) is a rating scale from 1 to 13 that is assigned to all of ATB's non-consumer borrowers. ATB's credit department uses the non-consumer risk rating (NCRR) system to calculate ATB's BRRs for individual borrowers. The NCRR system is ATB's system of record for BRRs.

In 2013, we recommended that ATB fix the borrower risk ratings in the banking system.[7] We noted that the banking system does not have an accurate list of BRRs for ATB's business and agriculture loans.

Our audit findings

ATB has implemented our recommendation to fix the borrower risk ratings in the banking system. ATB introduced a manual review procedure to ensure the BRR matches across the NCRR, the application for credit, and the banking system. We tested a sample of business and agriculture loans and found that the BRR does match in all three places.

6 *Report of the Auditor General of Alberta—October 2014*, no. 24, page 197.
7 *Report of the Auditor General of Alberta—October 2013*, no. 14, page 158.

Outstanding Recommendations

The following recommendations are outstanding and not yet ready for follow-up audits:

Improve ministry annual report processes—July 2012, no. 10, p. 65
We recommend that the Department of Treasury Board and Finance work with ministries to improve annual report:

- preparation processes for identifying significant performance measure variances and developing explanations for these variances for reporting
- approval processes, including senior management sign off of a summary of the year's performance measure variances and significant variance assessments

Improve performance measure reporting guidance and standards—July 2012, no. 11, p. 67
We recommend that the Department of Treasury Board and Finance improve its guidance for:

- performance measure target setting
- variance identification
- significant performance measure variance assessments and annual report explanation development
- preparing the results analysis

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Policies designed to achieve plan objectives—February 2014, no. 1, p. 24
We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:

- tolerances for the cost and funding components
- alignment between plan objectives and benefit, investment and funding policies
- pre-defined responses when tolerances are exceeded or objectives are not met

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Risk management system—February 2014, no. 2, p. 26
We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.

Department's Oversight Systems for Alberta's Public Sector Pension Plans: Sustainability support processes—February 2014, no. 3, p. 28
We recommend that the Department of Treasury Board and Finance:

- validate the objectives for the pension plan sustainability review with stakeholders
- evaluate and report on how each proposed change meets the objectives for the review
- cost and stress test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans
- conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention
- prepare a detailed implementation plan for the changes

Results analysis reporting: Guidance, training and monitoring needed—July 2014, no. 1, p. 18
We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:

- the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports
- processes to monitor ministry compliance with results analysis reporting standards

Economy and Efficiency of Cash Management: Evaluate cash management for efficiency and economy—February 2016, no. 8, p. 77
We recommend that the Department of Treasury Board and Finance:

- evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity
- evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool

Economy and Efficiency of Cash Management: Develop policies to prevent early payment of grants and an accumulation of large cash balances—February 2016, no. 9, p. 79
We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed

Economy and Efficiency of Cash Management: Implement and use information technology to manage cash—February 2016, no. 10, p. 82
We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management.

Economy and Efficiency of Cash Management: Use leading banking and related practices and evaluate cost benefits of bank accounts—February 2016, no. 11, p. 85
We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits.

Economy and Efficiency of Cash Management: Improve policies for payments —February 2016, no. 12, p. 86
We recommend that the Department of Treasury Board and Finance:

- periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements
- ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold

Apply policies when recommending approval for payment based on agreement requests—October 2017, Financial Statement Auditing, p. 134
We recommend that the Department of Treasury Board and Finance require the Provincial Controller and the Budget Development and Reporting division to consistently apply its policies when jointly recommending to Treasury Board Committee to approve a payment based on agreement request.

Enterprise risk management systems—October 2017, Financial Statement Auditing, p. 135 (originally October 2014, no. 22, p. 194)
We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

Collection of outstanding corporate taxes: Maintain policies and train staff —October 2014, no. 6, p. 51
We recommend that the Department of Treasury Board and Finance:

- update and maintain its policies and procedures for tax compliance officers
- review its training program to ensure it provides relevant and ongoing training to tax compliance officers

Collection of outstanding corporate taxes: Develop internal and external performance measures and targets—October 2014, no. 7, p. 52
We recommend that the Department of Treasury Board and Finance develop comprehensive performance measures and targets for tax collections and determine which to report publicly.

Collection of outstanding corporate taxes: Improve management information and analyze data periodically—October 2014, no. 8, p. 54
We recommend that the Department of Treasury Board and Finance:

- update its management reports to include additional information on the status of tax collection files and the success of its various collection activities
- periodically analyze the characteristics of the corporate taxes outstanding to identify potential changes to legislation, policies and collections strategies
- deal with the backlog of files submitted for write-off and low value accounts

Compliance systems for unfiled corporate income tax returns—October 2015, no. 17, p. 156
We recommend that the Department of Treasury Board and Finance improve its compliance systems to deal with unfiled corporate income tax returns.

ATB Financial

The following recommendation is outstanding and not yet ready for a follow-up audit:

Payment card industry—October 2012, no. 31, p. 149

We recommend that ATB Financial put in place processes to monitor its compliance with the Payment Card Industry's requirements.

Management has identified the following recommendation as implemented—to be confirmed with a follow-up audit:

Service auditor reports—October 2014, no. 26, p. 202 (originally October 2009, p. 227)

We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service provider audit reports
- review service provider audit reports and assess the impact of identified internal control weaknesses
- put end-user controls in place to complement service provider controls

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Glossary and Acknowledgments

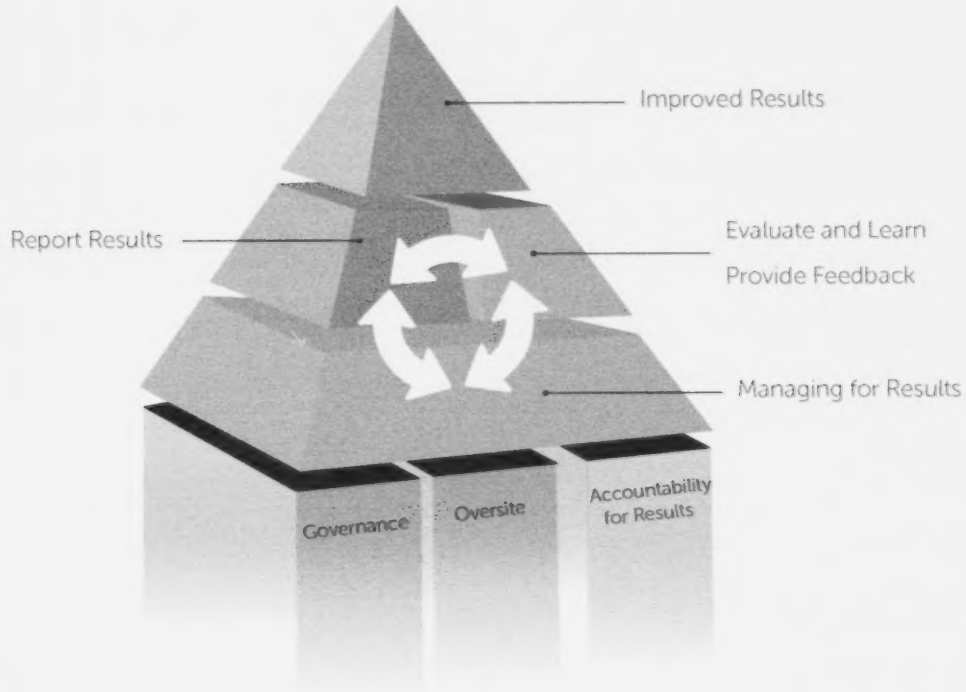
October 2017

Glossary

Accountability for results

The obligation to demonstrate results achieved through the use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

- set and communicate measureable results and responsibilities
- plan what needs to be done to achieve results
- do the work and monitor progress
- identify and evaluate results, and provide feedback for continued improvement
- publicly report on results



Accrual basis of accounting

A way of recording financial transactions that puts revenues and expenses in the period when they are earned and incurred.

Adverse auditor's conclusion

An auditor's written statement that the underlying subject matter being audited does not meet the applicable criteria, and that the effect of the deviations are material and pervasive.

Assurance
An auditor's written conclusion about something audited. Absolute assurance is impossible because of several factors, including the nature of judgment and testing, the inherent limitations of control and the fact that much of the evidence available to an auditor is only persuasive, not conclusive.

Financial statement audit
Procedures an auditor carries out to evaluate and express a conclusion on the reliability of financial statements.

Audit
An auditor's examination and verification of evidence to determine whether the subject matter meets applicable criteria, such as whether financial information is reliable, activities or outcomes are in compliance with laws, or that management has effective processes and controls to achieve results or manage risks. The Office carries out financial statement audits and performance audits.

Auditor
A person who examines and evaluates a specified subject matter against appropriate criteria and provides a conclusion.

Auditor's conclusion
An auditor's written communication on whether the subject matter audited meets, in all material respects, the criteria that apply to them.

Auditor's report
An auditor's written communication on the results of an audit.

Business case
An assessment of a project's financial, social and economic impacts. A business case is a proposal that analyzes the costs, benefits and risks associated with the proposed investment, including reasonable alternatives.

Capital asset
A long-term asset.

COBIT
COBIT is a framework that provides good practices for managing IT processes to meet the needs of enterprise management. It bridges the gaps between business risks, technical matters, control needs and performance measurement requirements.

COSO
Acronym for Committee of Sponsoring Organizations of the Treadway Commission. COSO is a joint initiative of five private sector organizations and is dedicated to the development of frameworks and guidance on risk management, internal control and fraud deterrence.

CPA
Canada Abbreviation for Chartered Professional Accountants of Canada, the national professional accounting body established to support a unified Canadian accounting profession. It replaced the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada) and Certified General Accountants of Canada (CGA Canada).

Criteria
Reasonable and attainable standards of performance and control that auditors use to assess systems or information.

Cross-ministry
A section of this report covering systems or problems that affect several ministries or the whole government.

Crown
Government of Alberta.

Deferred maintenance
Any maintenance work not performed when it should be. Maintenance work should be performed when necessary so that capital assets provide acceptable service over their expected lives.

Disclaimer of conclusion
An auditor's written communication that they have not been able to obtain sufficient appropriate evidence to support a reliable conclusion on whether the subject matter meets the criteria.

Enterprise risk management (ERM)
The systems and processes within an organization used to identify and manage risks so it can achieve its goals and objectives. An ERM creates linkages between significant business risks and possible outcomes so that management can make informed decisions. An ERM framework helps organizations identify risks and opportunities, assess them for likelihood and magnitude of impact, and determine and monitor the organization's responses and actions to mitigate risk. A risk-based approach to managing an enterprise includes internal controls and strategic planning.

Enterprise resource planning (ERP)
ERP integrates and automates all data and processes of an organization into one comprehensive system. ERP may incorporate just a few processes, such as accounting and payroll, or may contain additional functions such as accounts payable, accounts receivable, purchasing, asset management, and/or other administrative processes. ERP achieves integration by running modules on standardized computer hardware with centralized databases used by all modules.

Exception
Something that does not meet or is a deviation from criteria.

Expense
The cost of a thing over a specific time.

IFRS
International Financial Reporting Standards (IFRS) are global accounting standards, adopted by the Accounting Standards Board of the Chartered Professional Accountants of Canada. They are required for government business enterprises for fiscal years beginning on or after January 1, 2011.

GAAP
Abbreviation for "generally accepted accounting principles," which are established by the Chartered Professional Accountants of Canada. GAAP are criteria for financial reporting.

Governance
A process and structure that brings together capable people and relevant information to achieve cost effective results.

Government business enterprise
A commercial-type enterprise controlled by government. A government business enterprise primarily sells goods or services to individuals or organizations outside government, and is able to sustain its operations and meet its obligations from revenues received from sources outside government.

Internal audit
A group of auditors within an organization that performs assurance activities to evaluate and improve an organization's governance, risk management and internal control processes. The group typically reports its findings directly to the deputy minister or governing board. Internal auditors need an unrestricted scope to examine business strategies; internal control systems; risk management practices; compliance with policies, procedures, and legislation; economical and efficient use of resources and effectiveness of operations.

Internal control
A process designed and implemented to provide reasonable assurance that an organization will achieve its objectives. Management is responsible for an effective internal control system in an organization. The organization's governing body, in its oversight role, should challenge management to demonstrate that the control system operates as intended. A control system is effective when the governing body and management have reasonable assurance that:

- they understand the effectiveness and efficiency of operations
- internal and external reporting is reliable
- the organization is complying with laws, regulations and internal policies

Management letter

Our letter to the management of an entity that we have audited. In the letter, we explain:

1. our work
2. our findings
3. our recommendation of what the entity should improve
4. the risks if the entity does not implement the recommendation

We also ask the entity to explain specifically how and when it will implement the recommendation.

Material, materiality, significant

Something that makes a difference to decision makers.

Misstatement

A misrepresentation of financial information due to error, fraud or other irregularities.

Outcomes

The results an organization tries to achieve based on its goals.

Outputs

The goods and services an organization actually delivers to achieve outcomes. They show "how much" or "how many."

Oversight

The role of monitoring and evaluating whether an entity or its management have used resources efficiently and effectively to achieve desired results through:

- being vigilant and providing watchful care for the use of financial and human resources
- checking that processes and systems are working well, including systems to ensure accountability for how effectively resources are used
- modelling and signalling preferred behaviours through mentorship and by example

Performance audit

To help improve the use of public resources, we audit and recommend improvements to systems designed to achieve value for money. Paragraphs (d) and (e) of Subsection 19(2) of the *Auditor General Act* require us to report every case in which we observe that:

- an accounting system or management control system, including those designed to ensure economy and efficiency, was not in existence, or was inadequate or not complied with, or
- appropriate and reasonable procedures to measure and report on the effectiveness of programs were not established or complied with.

To meet this requirement, we do performance audits. Performance audits are conducted in accordance with the assurance standards established by the Chartered Professional Accountants of Canada. First, we develop criteria (the standards) that a system or procedure should meet. We always discuss our proposed criteria with management and try to gain their agreement that the criteria are appropriate for the audit. Then we design

and carry out procedures to gather audit evidence. Next, we compare our evidence to the criteria. If the audit evidence indicates the entity meets all the criteria, we conclude the system or procedure is meeting its objective. But if the evidence indicates that not all criteria have been met, we have an audit finding that leads us to recommend what the ministry or organization must do to ensure that the system or procedure will meet all the criteria. For example, if we have five criteria and a system meets three of them, the two unmet criteria lead to the recommendation. A performance audit should not be confused with assessing systems with a view to relying on them in an audit of financial statements.

Performance measure
Indicator of progress in achieving a desired result.

Performance reporting
Reporting on financial and non-financial performance compared with plans and targets.

Performance target
The expected result for a performance measure.

PSAB
Acronym for Public Sector Accounting Board, the body that sets public sector accounting standards.

PSAS
Acronym for Public Sector Accounting Standards, which are applicable to federal, provincial, territorial and local governments.

Qualified auditor's conclusion
An auditor's conclusion that the subject matter meets the criteria, except for one or more material but not pervasive exceptions which form the basis for the qualification.

Recommendation
A solution we—the Office of the Auditor General of Alberta—propose to improve the use of public resources or to improve performance reporting to Albertans.

Review
Reviews are different from audits in that the scope of a review is less than that of an audit and therefore the level of assurance is lower. A review consists primarily of inquiry, analytical procedures and discussion related to information supplied to the reviewer with the objective of assessing whether the information being reported on is plausible in relation to the criteria.

Risk
Anything that impairs an organization's ability to achieve its goals.

Sample

A sample is a portion of a population. We use sampling to select items from a population. We perform audit tests on the sample items to obtain evidence and form a conclusion about the population as a whole. We use either statistical or judgmental selection of sample items, and we base our sample size, sample selection and evaluation of sample results on our judgment of risk, the nature of the items in the population and the specific audit objectives for which sampling is being used.

Systems (accounting)

A set of interrelated accounting processes for revenue, spending, preservation or use of assets and determination of liabilities.

Systems (management)

A set of interrelated management processes designed to achieve goals economically and efficiently.

Unqualified auditor's conclusion

An auditor's conclusion that the subject matter audited meets the criteria.

Value for money

The concept underlying a performance audit is value for money. It is the "bottom line" for the public sector, analogous to profit in the private sector. The greater the value added by a government program, the more effective it is. The fewer resources used to create that value, the more economical or efficient the program is. "Value" in this context means the impact that the program is intended to achieve or promote on conditions such as public health, highway safety, crime, farm incomes, etc. To help improve the use of public resources, we audit and recommend improvements to systems designed to ensure value for money.

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